CANADIAN UTILITIES LIMITED

2000
Annual
Report

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Corporate Profile

Canadian Utilities Limited is a member of the ATCO Group of companies. ATCO Group is one of Canada's premier corporations, Alberta-based with a worldwide organization of companies and 6000 employees actively engaged in Power Generation, Utilities, Logistics and Energy Services, Technologies and Industrials.

POWER GENERATION

ATCO Power is an independent power producer with operations in Canada, Great Britain and Australia. Including its coal-fired generating plants in Alberta, ATCO Power has 2400 MW of generation capacity operating and under construction around the world.

UTILITIES

ATCO Electric and its subsidiaries deliver electricity to customers in northern and east-central Alberta, as well as parts of the Yukon and the Northwest Territories. ATCO Gas distributes natural gas throughout Alberta to industrial, residential and commercial customers.

LOGISTICS AND ENERGY SERVICES

ATCO Pipelines provides complete natural gas transportation services to producers, major industrial users and gas distribution companies in Alberta. ATCO Midstream provides natural gas gathering, processing and storage services to the natural gas industry in Alberta. ATCO Frontec provides project management and technical services for the resource, telecommunications, transportation, utility and defence sectors.

TECHNOLOGIES

ATCO Singlepoint provides the people, the business processes, and the systems to deliver "turn-key" customer care, call centre, and billing services to utilities, large municipalities, energy retailers, and other organizations. ATCO I-TEK builds, integrates, operates and supports software applications and technology infrastructure for its clients.

FINANCIAL HIGHLIGHTS

CONSOLIDATED ANNUAL RESULTS

(Millions of Canadian Dollars except per share data)

	Year Ended December 31	
	2000	1999
Financial		
Revenues	**2,923.1**	2,207.7
Earnings attributable to Class A and Class B shares	**227.4**	200.1
Total assets	**5,390.1**	4,528.6
Class A and Class B shareholders' equity	**1,526.5**	1,419.0
Capital expenditures - net	**447.0**	354.2
Cash flow from operations	**490.0**	465.1
Class A Non-Voting and Class B Common Share Data		
Earnings per share	**3.59**	3.16
Diluted earnings per share	**3.58**	3.14
Dividends paid per share	**1.80**	1.72
Equity per share	**24.11**	22.40
Shares outstanding	**63,305,835**	63,348,885
Weighted average shares outstanding	**63,328,162**	63,367,014

CONSOLIDATED QUARTERLY RESULTS (1)

(Unaudited)

(Millions of Canadian Dollars except per share data)

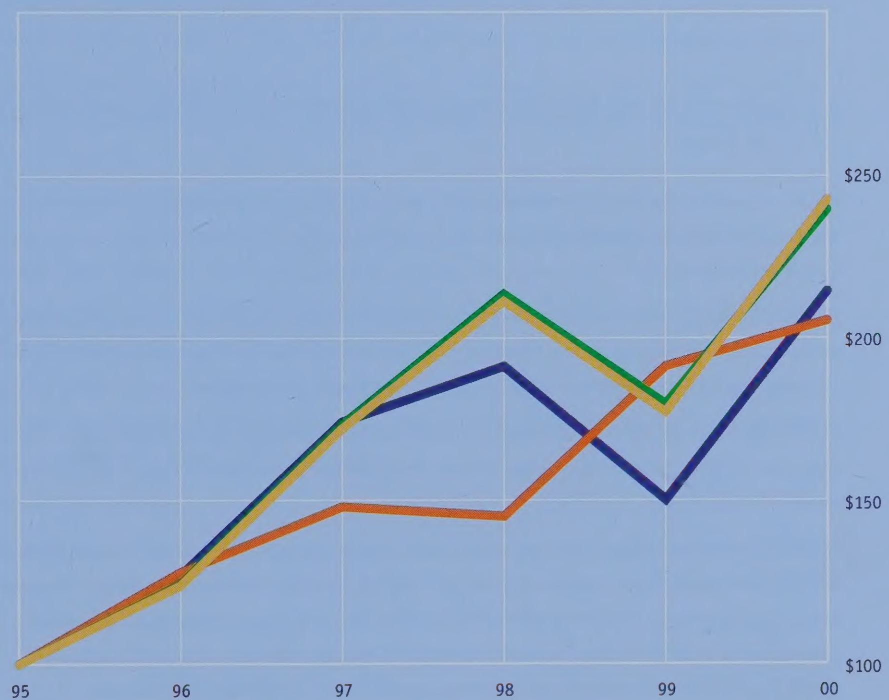
		Three Months Ended				
		March 31	June 30	September 30	December 31	Total
Revenues	**2000**	**737.4**	**557.2**	**577.7**	**1050.8**	**2,923.1**
	1999	643.9	478.4	437.2	648.2	2,207.7
Earnings attributable to	**2000**	**76.2**	**42.6**	**41.0**	**67.6**	**227.4**
Class A and Class B shares	1999	73.2	45.2	29.0	52.7	200.1
Earnings per Class A	**2000**	**1.20**	**0.68**	**0.64**	**1.07**	**3.59**
and Class B share	1999	1.16	0.71	0.46	0.83	3.16
Diluted earnings per Class A	**2000**	**1.19**	**0.68**	**0.64**	**1.07**	**3.58**
and Class B share	1999	1.15	0.71	0.46	0.82	3.14

(1) *Because of seasonal fluctuations, particularly in the utility operations, quarterly earnings are not indicative of full year results.*

2000 Performance Graph

FIVE YEAR TOTAL RETURN ON $100 INVESTMENT

The graph below compares the cumulative shareholder return over the last five years on the Class A non-voting and Class B common shares of the Corporation (assuming a $100 investment was made on December 31, 1995) with the cumulative total return of the TSE 300 Composite Index and the TSE Gas/Electrical Subindex, assuming reinvestment of dividends.



	Cumulative Return	*Compound Growth Rate*
CU Class A non voting	$242	19.3%
CU Class B common	$240	19.1%
TSE 300	$205	15.4%
TSE Gas/Electrical	$214	16.4%

Letter to the Share Owners

Ronald D. Southern,
Co-Chairman and Chief Executive Officer

Despite difficult conditions in many of our operations, 2000 was a record year for Canadian Utilities Limited and marks increased growth for the 11th consecutive year.

Our core business strategy continues to be defined by operational excellence with four fundamental elements:

- *Transparency in our people and business processes, producing genuine teamwork;*
- *Current achievement;*
- *Long-term growth with a strong balance sheet, allowing technology development, expansion and asset acquisitions;*
- *Commitment to change, world class company skills and best practices rejuvenated by well developed people systems.*

You are all aware of the transition taking place between us and, while it probably is not for us to say, it is an effective process resulting in a seamless transfer of chief executive leadership for the years ahead.

The second, equally seamless transition we encourage share owners to note, is the changing profile of our operations. Just five years ago (1996) 85% of Canadian Utilities' earnings were generated by our three regulated utility companies - ATCO Gas, ATCO Electric and ATCO Pipelines.

In 2000 our regulated utilities' earnings amounted to 67% of Canadian Utilities' total profit. We do expect our utilities to continue to grow, however, they will decline as a percentage of ATCO Group's earnings in the future.

While the determined efforts within our enterprises have not changed, the rules and regulations for natural gas and electricity in the marketplace have shifted dramatically under deregulation. However, the early positioning of ATCO Power with a highly skilled team to develop competitive independent power projects in other jurisdictions such as the United Kingdom and Australia, has created a well experienced and internationally successful company that is now capitalizing on the current opportunities unfolding in North America. Having just announced its 10th Canadian plant, ATCO Power continues to replace former utility earnings with premier performance from highly competitive new power plant projects.

Our progress, in respect to both leadership and the deregulation transition, is a great testimony to our Directors' guidance and counsel, coupled with the Group-wide fundamental support of our executives who bring great talent and determination to our achievements.

Nancy C. Southern,
Co-Chairman and Chief Executive Officer

In this regard, we consider the bundling of our principal operating subsidiaries under five new Managing Directors to be an organizational change, tied equal first with our financial performance, as the most notable of our 2000 achievements. Their reports, together with those of our President and our Chief Financial Officer, exemplify our commitment to a simple organization — driven by leaders with a firm grip and effective working teams in which situational leadership abounds as a result of simple, easily communicated plans.

As share owners of the past will know from our previous letters to you, we are skeptical of the relentless push — heard from every quarter — to use radical, widely unproven, even capricious techniques seeking and demanding transformation and immediate spectacular results.

We believe our evolving pre-emptive strategies and pragmatic logic, agreed annually between Directors and Senior Officers, will continue to deliver good innovation and growth.

A notable example of this steady approach to change is the emergence of all our companies with top safety records and leadership in environmental matters, which is formally described in our Managing Directors' reports.

As to the future, there can and will be adversity to be managed. This year has been illustrative of that — but regardless of the circumstances, our share owners can take comfort in the Canadian Utilities' track record — our people, organization, and business processes — confident that regardless of the circumstances, Canadian Utilities will deliver positive differentiating results from our people's sharp emphasis on the excellence of their performance.

We wish to thank, on behalf of all share owners, the people of Canadian Utilities, our Officers and Directors, for their extraordinary spirit and contribution of their minds, bodies and hearts that makes the submission of this report such a pleasure.

Respectively submitted,

Sincerely,

R. D. Southern
Co-Chairman &
Chief Executive Officer

N. C. Southern
Co-Chairman &
Chief Executive Officer

2000 Review of Operations

POWER GENERATION

ATCO Power

UTILITIES

ATCO Electric

ATCO Gas

LOGISTICS & ENERGY SERVICES

ATCO Pipelines

ATCO Midstream

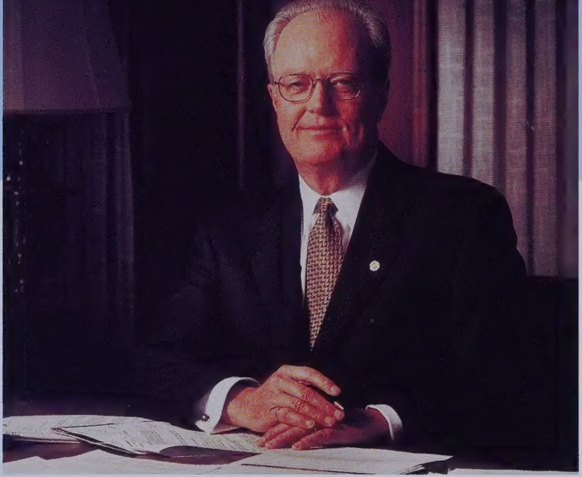
ATCO Frontec

TECHNOLOGIES

ATCO Singlepoint

ATCO I-Tek

2000 was another year of record performance for Canadian Utilities Limited. Our focus on improved performance and growth of ATCO Group's operations was strengthened by the introduction of a new organization structure and the appointment of five Managing Directors.



C. O. (Craighton) Twa, President and Chief Operating Officer, Canadian Utilities Limited

We view our new organization as an extension of our method of operating, rather than an additional layer of management. Our historical flat organizational structure served us well in the past, but with the Group's constant growth, it was becoming unwieldy in size and complexity.

Each Managing Director has overall bottom-line responsibility for one of our streamlined business Groups. In Canadian Utilities, these Groups are Power Generation, Utilities, Logistics and Energy Services and Technologies. They work closely with the Presidents of our principal operating subsidiaries and also act as an extension of the Office of the Chairman in identifying business Group targets, growth strategies and operational improvements, our capital requirements and increased awareness and sensitivity towards the Group's opportunities and challenges.

The ongoing deregulation and unbundling of the gas and electric industries worldwide continues to have a significant impact on the corporation, with the restructuring of our regulated businesses in our home province of Alberta and the development of opportunities in the deregulating global energy industry.

Our Power Generation Group had a robust year in the construction, commissioning and operation of new independent power plants in Alberta and around the globe. Including its coal-fired generation in Alberta, Power Generation owns 2400MW of generation capacity, operating and under construction, making it a growing player of significance in the international power generation market.

Since the announcement of deregulation in Alberta, our Power Generation Group has commissioned four new power plants with total generating capacity of 651MW, and has another 444MW under construction for completion by 2002. Power Generation was also active outside Alberta, with successful completion of its $75 million Bulwer Island plant in Queensland, Australia early in 2001 and construction underway on a 260MW cogeneration plant in Saskatchewan.

Utilities Group is moving its focus to gas and electric distribution operations, selling its interconnected generating assets to Power Generation and putting its gas production properties up for sale. Agreements to sell the gas production assets are conditional on regulatory approval and are expected to close in the second quarter of 2001. We expect that further unbundling of Utilities will, over time, move it essentially to a "pipes and wires" operation reducing the regulatory complexity of the gas and electric businesses.

The Technologies Group, with state-of-the-art technology-based customer care, call centre, and billing services is well positioned to serve emerging deregulated energy markets. As well, with more than 350 IT professionals with expertise in applications and technology infrastructure, our Technologies Group is well positioned to also provide excellent service and support to clients using technologies complementary to those in use within the ATCO Group.

Winning the support services contract for Canadian Forces deployed in Bosnia-Herzegovina, a first in Canada, opened up a new area of operations for our Logistics and Energy Services Group. Logistics contracts held in northern Canada with our native partners were extended. Other long-term contracts currently in late stages of negotiation promise to provide ongoing stability and growth for this Group. These include extension of the North Warning System contract, held since 1988, and airside and groundside services to the NATO Flying Training Program at Moose Jaw .

Acquisition of a natural gas processing plant early in 2001 brought the processing capacity of Logistics and Energy Services to more than 1.9 billion cubic feet per day (bcfd). The strong performance of our midstream business was a reflection of the high rate of utilization of the gas processing capacity (over 90%) and the effective performance of the gas storage operations. The pipeline operations attained record natural gas throughputs of 1.3 bcfd as a result of a major growth program.

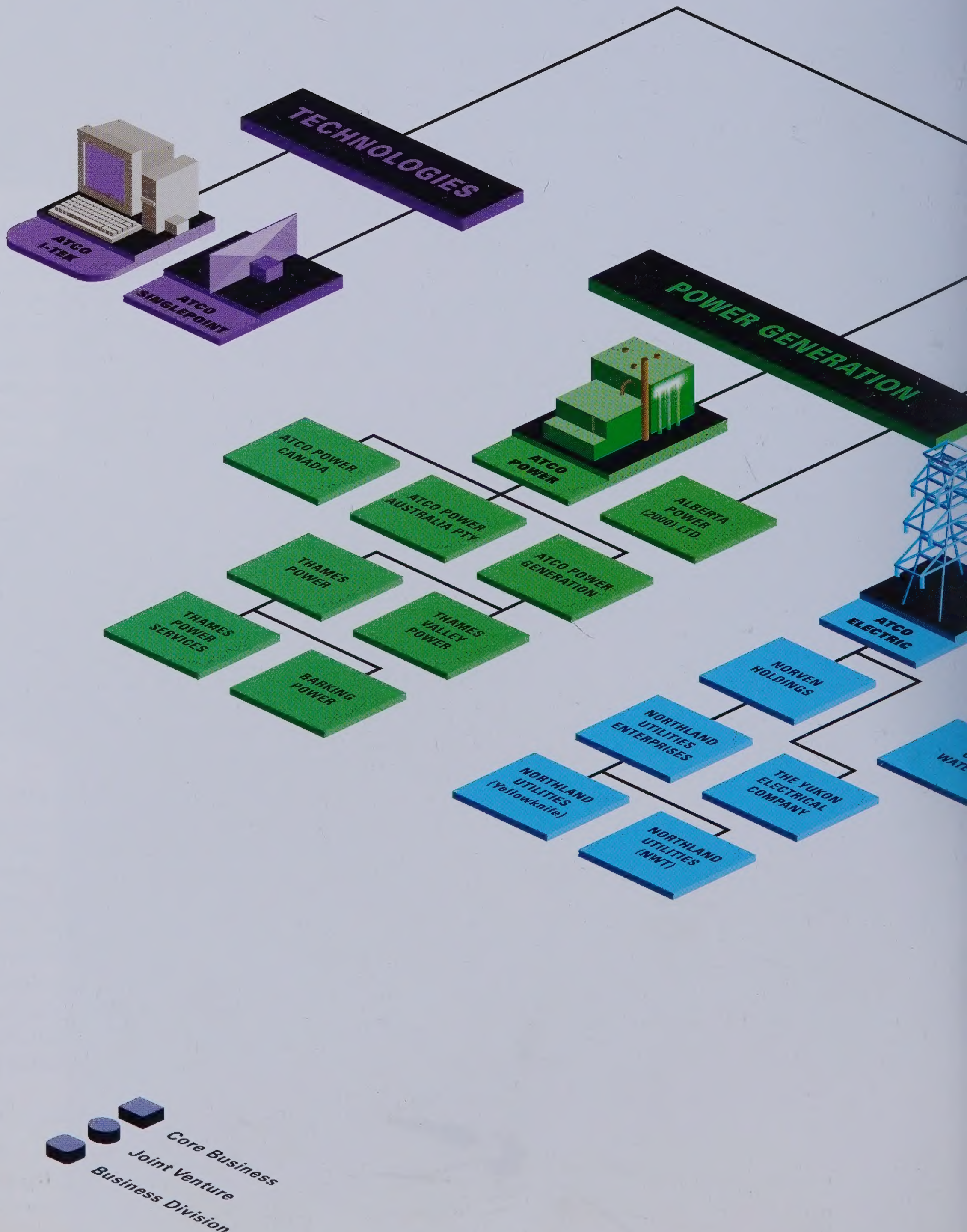
The following pages of our Operations Report have been individually prepared for you by our Managing Directors. I believe you will find that each Group is focused on creating value for our share owners by continued strong performance and growth in all our businesses.

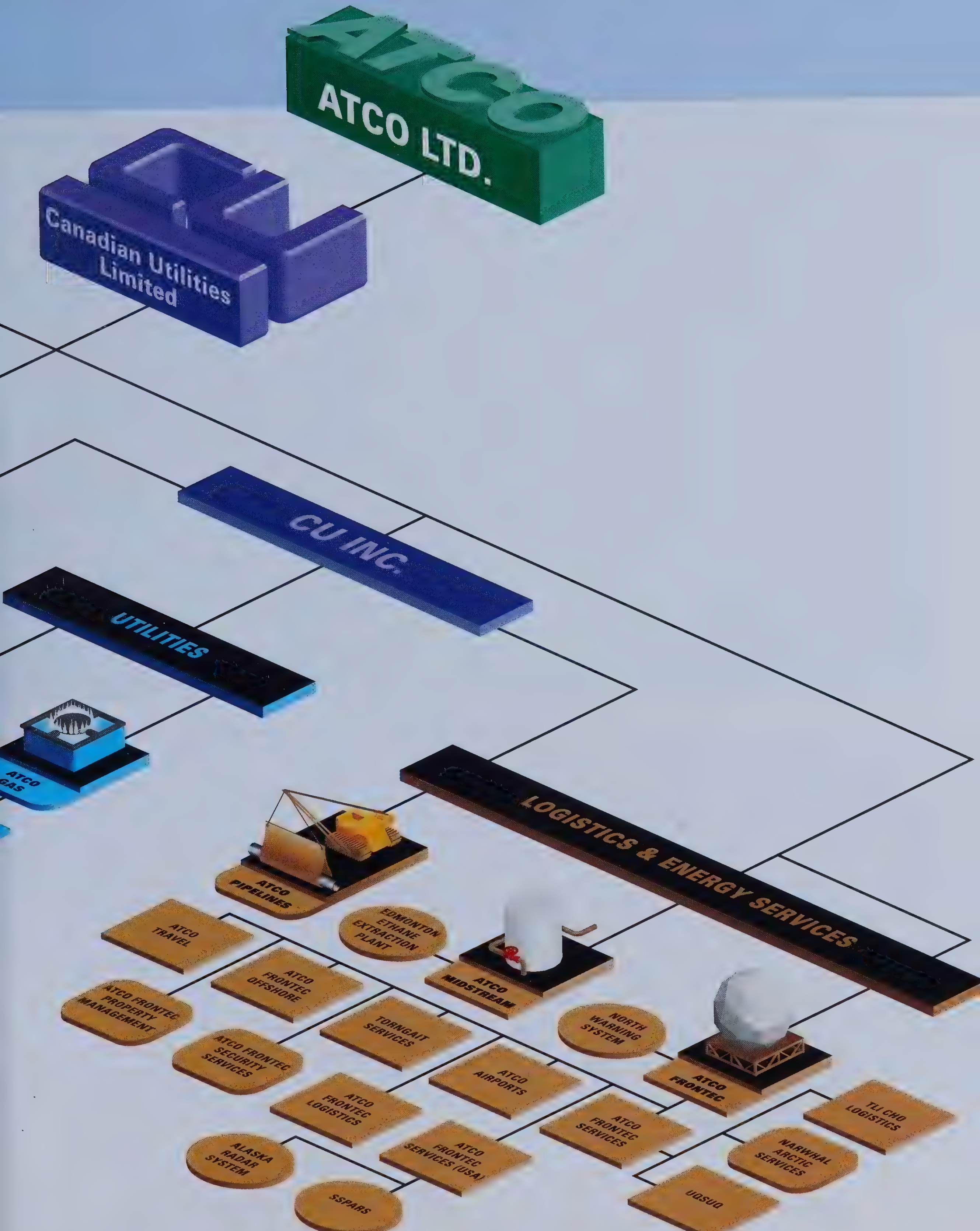
Craighton Twa

Craighton O. Twa

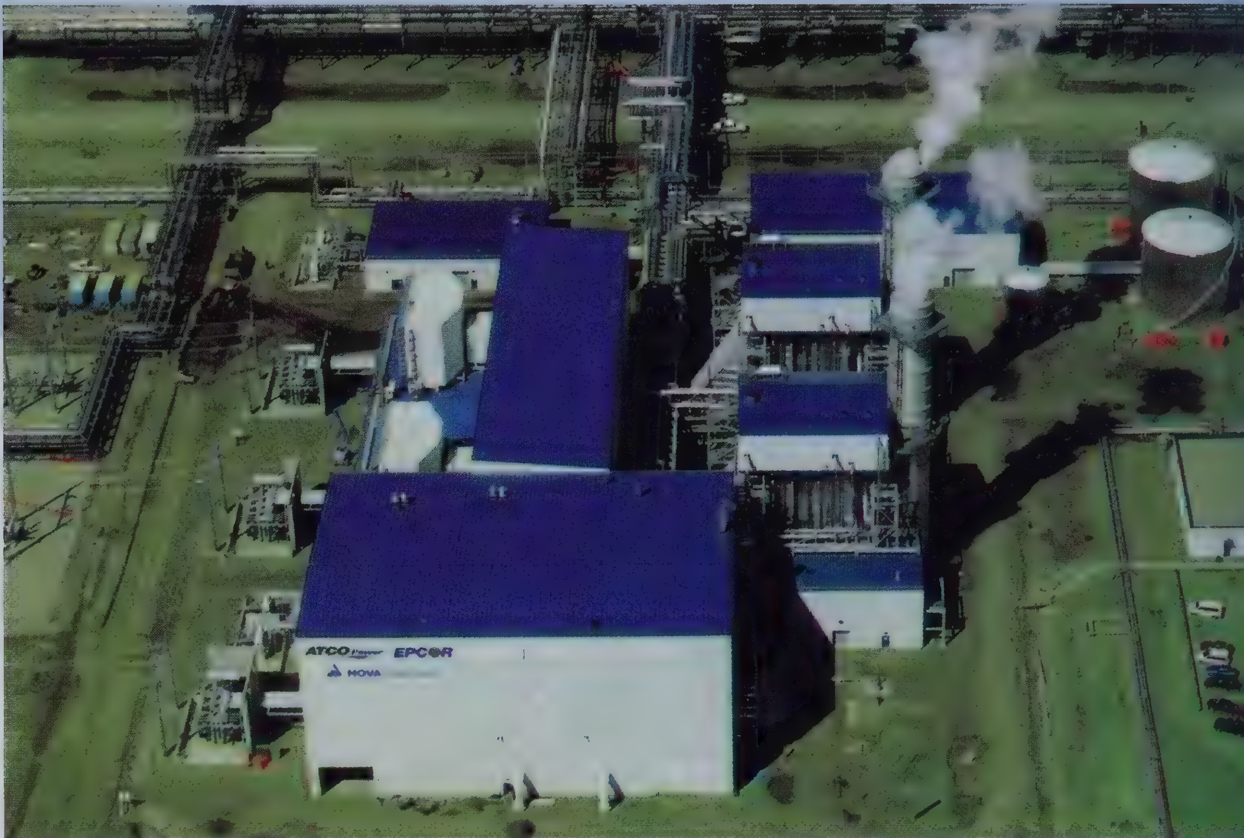
President and Chief Operating Officer,
Canadian Utilities Limited

CORPORATE STRUCTURE




ATCO
ATCO LTD.
Canadian Utilities Limited
CU INC.
UTILITIES
ATCO GAS
LOGISTICS & ENERGY SERVICES
ATCO PIPELINES
EDMONTON ETHANE EXTRACTION PLANT
ATCO MIDSTREAM
ATCO TRAVEL
ATCO FRONTEC OFFSHORE
ATCO FRONTEC PROPERTY MANAGEMENT
TORNGAIT SERVICES
ATCO FRONTEC SECURITY SERVICES
ATCO AIRPORTS
NORTH WARNING SYSTEM
ATCO FRONTEC
ATCO FRONTEC LOGISTICS
ATCO FRONTEC SERVICES
TLI CHO LOGISTICS
NARWHAL ARCTIC SERVICES
ALASKA RADAR SYSTEM
ATCO FRONTEC SERVICES (USA)
UQSUQ
SSPARS

POWER GENERATION



ATCO Power and its partners commissioned the 480 MW Joffre cogeneration plant in December, 2000 bringing much needed electrical power to the province of Alberta.

The creation of the Power Generation Group has brought together an organization of 600 skilled employees whose expertise and experience in the development, construction, financing and operation of coal and gas-fired power plants provides a platform for the delivery of steady growth to our share owners.

The Power Generation Group was created in 2000 by combining ATCO Power's independent power business with ATCO Electric's "Alberta Power" legacy generating plants.

The reorganization further enhances Power Generation's ability to streamline operations for improved efficiency as well as allowing us to allocate new resources for project development.

Our Power Generation development team is focused on its target markets of Canada, the United States, the United Kingdom and Australia.

Power Generation will continue to apply and build upon its proven track record in health, safety and environmental issues in all of its construction and operations endeavours. This allows us to fulfill our mandate to be a major contributor to the sustainable and profitable growth in the ATCO Group of companies.

We look forward to expanding our reputation as a successful, world-class developer and owner of an increasing number of high quality independent power and cogeneration projects in Canada and selected world markets.

G.K. (Gary) Bauer
Managing Director

G. K. (Gary) Bauer, Managing Director, Power Generation

CANADA

ATCO Power's generating plants achieved excellent levels of availability in both British Columbia, where power from its 50% owned, 120MW McMahon Cogeneration Plant is sold under a long-term power purchase arrangement with BC Hydro; and in Alberta where its plants, the 85MW Primrose (40% owned); the 43MW Poplar Hill (80% owned); and the 43MW Rainbow Lake (80% owned) sold power to on-site customers as well as to the Alberta Power Pool.

Commissioning of the 480MW Joffre Cogeneration Project, where ATCO Power has a 32% ownership interest, was completed in December 2000. The plant has run well and has brought much needed capacity to the Alberta system.

Commercial negotiations were finalized and engineering and site preparation work was begun on two cogeneration plants being developed for the Athabasca Oilsands Project; the Muskeg River Mine, a 170MW cogeneration plant where ATCO Power will have a 56% ownership interest, and the Scotford Upgrader, 150MW cogeneration plant, where ATCO Power will have an 80% interest. The in-service date for these plants is late 2002.

In May 2000, ATCO Power and SaskPower International Inc. announced that they would jointly develop and own a 260MW gas-fired cogeneration plant at the Potash Corporation of Saskatchewan's Mine at Cory, Saskatchewan. All the power produced will be purchased under a long-term contract by SaskPower Corporation. Design and engineering work has begun; orders for the major equipment have been placed and commercial operations are slated for the fourth quarter of 2002.

In the first quarter of 2001, ATCO Power announced it will proceed with, and own 100% of two more power projects in Alberta, a 92MW gas-fired project at Valleyview and a 32MW hydro project at the Oldman River Dam.

Decontrol issues in Ontario's deregulation process caused development work to cease during the year on the 550MW gas-fired combined cycle Lakeview New Generation Project in Mississauga, Ontario. The ATCO Group is jointly working with Ontario Power Generation Inc. to identify power purchasers and alternative sites in Ontario for this project.

The Alberta Government proceeded with the Power Purchase Arrangement auction, which sold the rights to the output of ATCO Electric's "Alberta Power" generating stations: Battle River, Sheerness, Rainbow and Sturgeon. The Battle River and Rainbow power purchase arrangements were purchased by power marketers, and the Sheerness power purchase arrangement remains with the Alberta Balancing Pool. The 18MW Sturgeon station did not attract any bids and became a merchant plant owned and operated by ATCO Power.

ATCO Electric's HR Milner generating station was not included in the auction because of the uncertainty of coal supply, caused by the station's coal supplier going into bankruptcy. On January 3, 2001, ATCO Power and the Balance Pool Administrator announced an agreement whereby the Balance Pool Administrator would purchase the station from the Power Generation Group at its net book value. ATCO Power will continue to operate the station for the Balancing Pool on a cost-of-service basis.

UNITED KINGDOM

The 1000MW gas-fired combined cycle power station at Barking which ATCO Power operates and has a 25.5% interest, experienced a nine-week shutdown of Block One to repair a crack in the steam turbine rotor and a five-week precautionary shutdown of Block Two to test for similar problems. No problems were detected in Block Two, however, the shutdown allowed ATCO Power to perform general maintenance one year in advance of their schedule, thereby improving availability for 2001. Following the shutdowns, the Station ran successfully for the remainder of the year.

ATCO Power continues to seek "greenfield" cogeneration and independent power opportunities in the United Kingdom.

AUSTRALIA

The 180MW Osborne Cogeneration plant, in which ATCO Power has a 50% ownership interest, achieved excellent availability levels during the year.

Construction of the 33MW electrical and 55MW thermal cogeneration project at British Petroleum's Bulwer Island Queensland refinery continued in 2000, with final completion expected in the first quarter of 2001. ATCO Power will have a 50% ownership in the Project with Origin Energy Limited following completion.

IRELAND

In January 2000, Aughinish Alumina Limited announced that it would proceed with ATCO Power and Bord Gais Eireann on the development of a 310MW gas-fired cogeneration facility at its existing aluminium refinery in County Limerick, Ireland.

ENVIRONMENT AND COMMUNITY

Protection of the environment is a core value and priority that guides our decision making and our on-going operations. The Power Generation Group believes the success of our business is also based on strong relationships with the communities we serve. We are active supporters of community projects, both through corporate contributions and support of our employees' community involvement.

UTILITIES

ATCO Electric service personnel live and work in the more than 200 Alberta communities we serve. Our people are on-call 24 hours a day, 365 days a year, ensuring our delivery system is safe and reliable.

The companies in the Utilities Group, ATCO Gas and ATCO Electric, share a common focus: distribution of energy. The group's goal is to achieve greater success for both the gas and electric sides of our business through efficiencies and economies of scale. We will also continue to develop joint expertise in delivering energy to customers. In this way, we can continue to meet the growth needs of our service area while keeping delivery costs as low as possible for customers and sustaining solid returns for share owners.

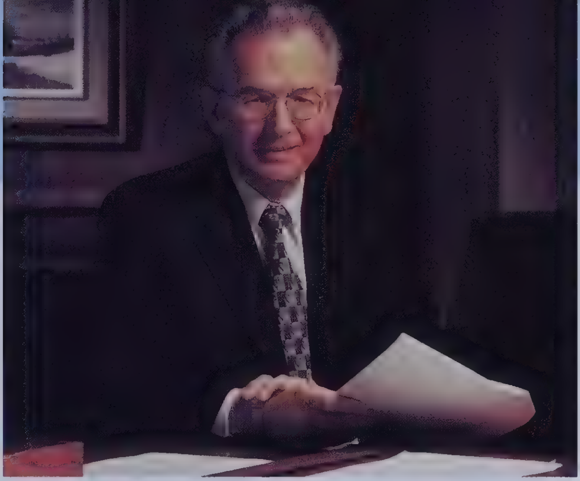
Together, ATCO Gas and ATCO Electric have assets of $2 billion, which provide stable earnings and continued opportunities for investment in the growing province of Alberta. Our 2150 employees in the Utilities Group are dedicated to customer service, working continually to maintain safe, reliable delivery systems for gas and electricity.

The Utilities Group believes the success of our core delivery business is based on strong relationships with the communities we serve. ATCO Gas and ATCO Electric are active supporters of community projects, both through corporate contributions and support for our employees' community involvement.

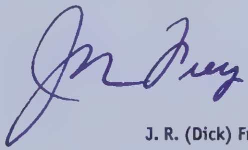
The high cost of energy has been a major challenge for the Utilities Group. This past year, customers faced unprecedented increases in the cost of both gas and electricity. With the opening of the Alliance Pipeline that delivers Alberta gas to American markets, Albertans were exposed to the supply and demand forces of the continental natural gas market. High gas costs also became a factor in provincial electricity prices. Tight supplies and growing demand for electric generation led to increased use of natural gas to fuel generating plants. As a result, gas-fired generating plants increasingly set the market price of electricity in the Power Pool of Alberta.

In response, we formed a multi-company task force to find ways to deal with the problems experienced by our customers due to high energy costs. We improved call centre service by adding staff, upgrading technology and extending our hours. We also expanded our natural gas meter reading program to provide more actual reads, developed a program to promote energy conservation, increased the options for payment, and developed an alternative way of collecting gas costs that was ultimately accepted by the Alberta Energy and Utilities Board.

While our core business remains the transportation and delivery of energy, we will continue our efforts to help customers deal with the challenge of high energy costs in the next year. We will do our utmost to help customers by keeping delivery costs as low as possible. By taking advantage of the synergies of the ATCO Utilities Group, we will continue to make ATCO's tradition of excellence serve the best interests of both customers and share owners.



J. R. (Dick) Frey, Managing Director, Utilities Group



J. R. (Dick) Frey

Managing Director, Utilities Group

ATCO ELECTRIC

The main challenge for ATCO Electric in 2000 was continued preparation for deregulation of Alberta's electricity industry. Retail choice became a reality for customers on January 1, 2001. Highlights of last year's work included:

- *Developing computer systems to handle transactions with retailers. ATCO Electric reached all milestones on schedule for this project and led the industry in achieving implementation targets.*
- *Developing work processes and training staff to deal with the new interactions required by retailers and customers.*
- *Meeting an intensive schedule of regulatory applications and hearings. This included negotiating a settlement with customer groups on the revenue requirement for transmission costs in 2001-2002. Another priority was developing the tariff for delivery services in the deregulated regime.*
- *Developing a regulated rate option to supply energy for customers who continue to buy the full electricity package through ATCO Electric.*
- *Meeting with larger customers who are not eligible for the regulated rate option to assist them with the transition. ATCO Electric continues to act as default supplier for some 1150 of these customers, although this role will be assumed by a new, non-regulated subsidiary, ATCO Energy.*

LEGEND

ATCO Electric Generating Plants

Converter Station

Major Transmission

Lines Owned By Others

Service Area

Other Electric Utilities

Unallocated

ATCO POWER PLANTS

Rainbow Lake

Muskeg River

McMahon

Primrose

Poplar Hill

Sturgeon

Valleyview

H.R. Milner

Scotford

Joffre

Battle River

Sheerness

Oldman River

RETAIL ELECTRIC SALES

(Alberta, Yukon and Northwest Territories)

	Millions of Kilowatt Hours	% of Total
Industrial	7,347	70.6
Commercial	1,624	15.6
Residential	936	9.0
Company Rural, Rural Electrification Associations and Other	485	4.8
Total	10,392	100.0

ATCO Gas customer service agents continue their efforts to help customers deal with the challenge of high energy costs by offering advice on energy savings tips.

GROWTH IN 2000

In 2000, combined electric sales for ATCO Electric and its subsidiaries (The Yukon Electrical Company Limited, Northland Utilities (NWT) Limited and Northland Utilities (Yellowknife) Limited) were 10,392 million kilowatt hours. On a sales-per-employee basis, our productivity has continued to improve by 44 percent since 1995.

ATCO Electric provides delivery service to more than 168,000 customers through our system of more than 56,000 kms of power lines. During 2000, we spent $74.8 million on new distribution facilities primarily reflecting increased drilling and oilfield development and a further $31.9 million on transmission.

Major transmission projects included:

Cranberry-Kidney: a transmission line and substation that will connect five northern areas to the provincial grid. This project will replace isolated generating plants and support growing customer load.

Brintnell: a substation and associated facilities to support growth in the Brintnell oilfield, north of Wabasca.

For our northern operations, a highlight of the year was successfully renewing the franchise agreement with the City of Yellowknife for a 10-year term.

ATCO GAS

GROWTH IN 2000

ATCO Gas experienced another year of solid growth. Sales volumes increased to 227.0 PJs versus 205.2 PJs in 1999 (excludes ATCO Pipelines sales volumes) as a result of strong customer growth and 4.5% colder than normal temperatures.

In 2000, ATCO Gas spent nearly $90 million on capital projects. The majority of the expenditures were related to facilities to serve 17,459 new customers and $15.9 million for the ATCO Customer Information System (ATCO CIS). Mains replacement work continued in Calgary, Claresholm, and Coutts ($5.3 million); and relocation work in Calgary to accommodate the Deerfoot Trail expansion ($700,000).

UTILITIES

ATCO Gas customers benefited from an average service rate reduction of 11% throughout the province as well as a service refund of $48.5 million. With these reductions and refunds, customers are paying less to ATCO Gas for delivery charges in 2001 than they did in 1994 in the South and 1993 in the North. ATCO Gas has been able to achieve these cost savings while maintaining superior service to its more than 810,000 customers throughout Alberta.

In late 2000 more than 333,000 customers in High River and Calgary were converted to the new ATCO Customer Information System. ATCO CIS replaces 30-year-old technology and provides enhanced capability to respond to industry restructuring, evolving deregulation and new rate structures and contracts. Migration of the remaining customer accounts will occur in 2001.

With the increased determination to focus on our core business, ATCO Gas announced its intention to sell its remaining producing properties in order to focus on its core business of distributing natural gas. Conditional sale agreements have been signed for all our producing properties. The total value of the sales is $546 million. A decision by the Alberta Energy and Utilities Board is expected in 2001.

ATCO Gas also divested itself of the Gas Appliance Stores in 2000. We identified this area of business as one that was not in line with our core business of distributing natural gas.

THE ENVIRONMENT AND THE COMMUNITIES WE SERVE

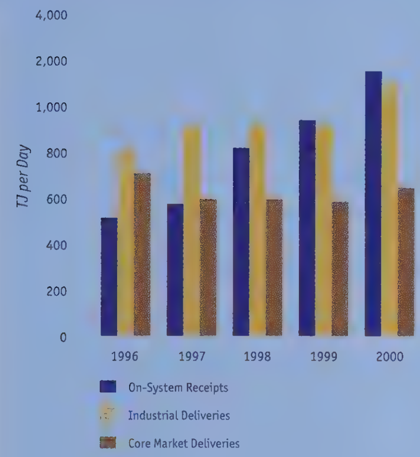
ATCO Utilities Group plays an active role in the 550 communities it serves. Our continuing commitment is demonstrated through key partnerships and sponsorships, including those with the Alberta Sports Hall of Fame, the Alberta Winter and Summer Games and the Alberta Lung Association, as well as by the companies' programs to match employee contributions.

In 2000, ATCO Electric re-launched its popular Teaching Power school resource program, a package designed to teach children in grades 4-6 about electrical safety, conservation and the production of electricity.

For the second year in a row, ATCO Gas received the Gold Champion Reporter award from Canada's Climate Change Voluntary Challenge and Registry Inc. Our emissions were 12% below 1990 levels. Through these efforts and its support of the Alberta Ecotrust, ATCO Gas remains committed to environmental protection and conservation.

Our 2150 employees in the Utilities Group are committed to protection of the environment, which is one of the Group's core values. All employees have a role in ensuring our operations comply with environmental legislation, standards and company policy.

ATCO PIPELINES
DAILY TRANSPORTATION QUANTITIES



ATCO FACILITIES

Cranberry Gas Plant

Fort Saskatchewan Ethane Extraction Plant

Carbondale Gas Plant

Integrated Gas System

Villeneuve Ethane Extraction Plant

Riviere Gas Plant

Golden Spike Gas Plant

Watelet Gas Plant

Edmonton Ethane Extraction Plant

Kinsella Gas Gathering

Scovil Lake Gas Plant

Carbon Storage Facility

LEGEND

- ATCO Midstream Facilities
- Carbon Storage Facility
- ATCO Pipelines
- ATCO Midstream
- Other Gas Pipelines

Logistics & Energy Services

ATCO Pipelines is constructing a 118 km natural gas pipeline to the Albian Sands project near Ft. McMurray.

The formation of our Logistics and Energy Services Business Group in 2000 was accompanied by tremendous earnings growth for the Group.

Logistics and Energy Services is comprised of ATCO Frontec, ATCO Midstream and ATCO Pipelines. These three companies have expertise in the management of assets, both company owned and those owned by others.

Collectively our Group has vast experience in gas gathering, gas processing, gas storage and gas transmission, as well as asset management, logistics and northern operations. The mandate of the Logistics and Energy Services Group is to utilize the combined strengths within each company and lever those strengths to expand our earnings base.

Our Group has established, as a priority, a determined and diligent approach to the opportunities unfolding in the North, with particular emphasis on the proposed pipelines from Alaska and the Mackenzie Delta.

The Logistics and Energy Services Group is recognized as a well respected team player through our numerous joint ventures with Aboriginal, local people and companies in Alaska, the Yukon, the Northwest Territories and Nunavut. Our Group plans to utilize this northern experience and our Aboriginal relationships to create new "greenfields" projects and capture new opportunities as they unfold.

The Logistics and Energy Services Group values employees and demonstrates this through responsive reporting structures. This approach minimizes levels of decision making, optimizes employee skills through multi-skill training, encourages and recognizes outstanding service and empowers staff to make business decisions to effectively serve customers. These strategies have created a culture that promotes initiative and innovation in providing value-added customer service, fostering high staff morale and resulting in long-term staff retention.

I am pleased to present the following information on the three companies that comprise the ATCO Logistics and Energy Services Group.

Michael M. Shaw

Michael M. Shaw

Managing Director, Logistics & Energy Services

M. M. (Michael) Shaw, Managing Director, Logistics & Energy Services

ATCO PIPELINES

2000 marked ATCO Pipelines second year of operation as an integrated, competitive, Alberta natural gas transportation company. ATCO Pipelines' producer customers actively brought new supply onto our system in response to unprecedented high natural gas prices, while industrial customers that consume natural gas as fuel or feedstock were forced to examine the economics of continuing production.

Natural gas receipts from gas plants tied into ATCO Pipelines' system reached record levels during the year, with approximately 1.3 billion cubic feet per day (bcfd) of receipt transportation service flowing at the end of 2000. To accommodate additional volumes in 2000 and in subsequent years, ATCO Pipelines' capital expenditures increased from $25 million in 1999 to more than $63 million in 2000.

Producers continue to aggressively explore for natural gas reserves in the areas west and north of Edmonton where ATCO Pipelines has infrastructure to accommodate future growth. In particular, record drilling in the vicinity of ATCO Pipelines Grande Cache system has resulted in numerous requests for transportation service out of this area for 2001.

On the industrial market side, ATCO Pipelines is pursuing new growth opportunities in the Fort Saskatchewan and Fort McMurray regions. As well, there are several proposed cogeneration and power plant projects planned for the Calgary area adjacent to ATCO Pipelines system.

ATCO Pipelines prides itself on providing customers with access to the markets of their choice as well as continuing to improve and increase our delivery service capabilities.

Logistics & Energy Services

ATCO Midstream is the majority owner of the Edmonton Ethane Extraction Plant , which is located in south Edmonton. It is a 360 mmcfd liquids extraction plant that extracts ethane and natural gas liquids and returns the residue gas to area markets.

MAJOR PROJECTS

Construction of a 118 km pipeline to provide natural gas service to the Albian Oil Sands Project near Fort McMurray commenced in June of 2000. A 1500 meter directional drill crossing of the Athabasca River was successfully completed during 2000, and overall pipeline construction will be completed early in 2001. This project provides ATCO Pipelines with a foothold in the developing oil sands region of northwestern Alberta, and positions the company to serve other industrial projects in the area.

The 1.3 bcfd per day Alliance Pipeline, which transports natural gas from gas plants in British Columbia and Alberta to markets in Chicago, came on-stream in December. ATCO Pipelines has worked closely with Alliance providing a significant portion of its line pack and pipeline purge gas.

Working successfully with producers, ATCO Pipelines has constructed an interconnection at Edson, Alberta, which will provide up to 70 million cubic feet per day of capacity for our producer customers choosing to access the Alliance system commencing April 2001. The facilities to transport these new volumes require more than $18 million of new investment.

REGULATORY EVENTS

A General Rate Application (GRA) for ATCO Pipelines (South) was filed with the AEUB in December and a public hearing has been scheduled for late June 2001. ATCO Pipelines has been unable to negotiate rates for South Core customers and this GRA will determine those transportation rates for 2001 and 2002. The other key issues addressed in the GRA are unaccounted for gas charged to delivery customers and ATCO Pipelines' capital structure and return on equity.

A change in natural gas transmission tolling on TransCanada's Alberta system from the traditional "postage stamp" method to receipt point differentiated tolling triggered a re-opening of ATCO Pipelines' industrial and producer five-year settlement. Negotiations with these customers resulted in an agreement that was given interim approval by the Alberta Energy and Utilities Board.

ATCO MIDSTREAM

ATCO Midstream has completed a highly successful year in the Midstream business, which includes gathering and processing of sweet and sour gas, natural gas liquids extraction, as well as gas storage services.

The business environment for midstream companies continues to be very competitive. ATCO Midstream continues to be extremely disciplined in its evaluation of potential acquisitions and only grows by acquisition when it makes good business sense to do so. In the meantime, the company continues to generate growth from investment associated with its existing asset base.

Looking forward to 2001, one of ATCO Midstream's major challenges is from increasing costs for electrical energy used in its operations. In November 2000, ATCO Midstream participated in the Alberta Power Pool Auction and was successful in securing a portion of its electrical power requirements for the upcoming year.

The Natural Gas Liquids extraction business will also be challenging in 2001 due to high natural gas prices and close attention will be required to operate successfully in this environment. ATCO Midstream has developed strategies for each of its facilities to deal with these issues.

ATCO Midstream's key to success is adding value to its clients by providing cost-effective, integrated solutions to their gathering, processing, storage and gas management needs. This success is due in no small part to the combined efforts of the company's committed employees who work together in a small team-oriented environment.

GATHERING & PROCESSING

A highlight of the past year was the purchase from Talisman Energy of the Cranberry Gas Plant and a 70-kilometre gas-gathering pipeline network located near the town of Manning in northwestern Alberta. The Cranberry plant increases ATCO Midstream's processing capacity by more than 35 million cubic feet a day, to 670 million cubic feet a day. The addition of this asset to the company's portfolio of processing plants is very significant, as it provides a strategic base for expanded activities in this active gas development region of Alberta.

The natural gas liquids (NGL) side of ATCO Midstream's business benefited from strong NGL prices throughout the year and attractive shrinkage-gas prices for the first half of the year. The company's NGL extraction plants operated reliably and at high utilization rates throughout the year.

Rising gas prices, along with strong marketing efforts, kept ATCO Midstream's gathering and processing facilities near capacity throughout the year. To increase access for producers in the Telfordville area west of the City of Edmonton, the 26-kilometre "Golden Spike West" pipeline was constructed and additional sour processing capacity was added at the Golden Spike Plant.

In 2000, average plant throughput was in excess of 90% of available capacity. This continues to be a very high rate of utilization in an industry where traditional utilization rates average approximately 60%.

LOGISTICS & ENERGY SERVICES

ATCO Frontec won a major contract to provide support services to the Canadian Forces in Bosnia-Herzegovina.

STORAGE AND HUB SERVICES

Natural gas markets were again quite volatile during the year. ATCO Midstream's Marketing group worked closely with producers, energy marketers, aggregators and gas distributors to actively manage their storage positions.

In addition to marketing storage capacity held at several storage facilities, ATCO Midstream continued a successful partnership to bring to market the capacity of another excellent Alberta storage reservoir. This added value to ATCO Midstream through the growth of its storage business and also to ATCO Pipelines by allowing it to offer additional transportation capacity.

ATCO Midstream is looking to strengthen its long-term position in the storage and hub services business through developing additional storage capacity in Alberta.

ATCO FRONTEC

ATCO Frontec sales revenue in 2000 increased by 25% and employees of ATCO Frontec projects, business units and joint ventures grew to exceed 600 people.

LOGISTICS

In the first major outsourcing of support to internationally deployed Canadian Forces, ATCO Frontec won the contract to provide support services in Bosnia-Herzegovina. Services provided to five camps include satellite and ground communication, billeting, catering, supply and transportation, utilities, facilities and grounds maintenance, vehicle maintenance, fuel handling, and fire and environment protection. This two-year contract, with a one-year option, is a unique project that includes management of Canadian civilians, local residents and embedded military personnel.

In the Northwest Territories, ATCO Frontec, working with the Dogrib Rae Band through a jointly owned company, Tli Cho Logistics Inc., renewed a contract with BHP Diamond Mines to provide on-site fuel re-supply management. In 2000, fuel handling grew from 31 to 43 million litres delivered by 1016 trucks over 58 delivery days on a 460-km winter ice road. Tli Cho will handle 70 million litres of fuel for BHP in 2001.

Also working through Tli Cho Logistics Inc., ATCO Frontec extended a contract to provide site support services including facilities operation and maintenance to Diavik Diamond Mines during the construction phase of this mine, located 300 km northeast of Yellowknife on Lac de Gras. During the 2000 winter road season, ATCO Frontec supported upgrading camp facilities to accommodate 500 onsite personnel.

RADAR AND COMMUNICATION SYSTEMS

The Government of Canada issued an Advance Contract Award Notice indicating its intent to negotiate a new North Warning System contract with the joint venture between ATCO Frontec and Pan Arctic Inuit Logistics Corporation to commence October 1, 2001. ATCO Frontec and its partner have now managed this NORAD program since 1988.

AIRPORTS MANAGEMENT

In June, ATCO Frontec began providing airside and groundside support services to the NATO Flying Training in Canada program as a follow-up to services provided to former 15 Wing Moose Jaw. Efforts are underway to negotiate long-term provision of these services to Bombardier Inc.

LOOKING AHEAD

ATCO Frontec continues to look for growth through strong alliances and providing excellent services in our core businesses, logistics, facilities and systems management and technical services. As a world-scale player, ATCO Frontec continues to be flexible to meet changing economic conditions while competing with large international companies. Major additional thrusts this year include providing support services to the oil and gas sector and the supply chain industry. Working with our affiliate companies in Logistics and Energy Services, we are pursuing northern pipeline development opportunities.

ENVIRONMENT AND COMMUNITY

The Logistics and Energy Services Group demonstrates its strong commitment to the environment by making the environment a number one priority in all operational plans and decisions, including continually monitoring for potential risk to the environment and complying with regulatory and community agencies.

Our use of an environmental management system framework ensures that employees are aware of sound environmental work practices. The Group continues to support and be involved in environmental committees and initiatives through industry associations.

Each company within the Logistics and Energy Services Group continues to recognize the importance of maintaining and developing relationships within the communities they serve.

Early this year, ATCO Midstream was nominated for a "Quantum Leap" award by the United Way for increased employee contributions to the Edmonton and area and the Calgary and area campaigns by more than 25%.

Through an Employee Community Service Fund, ATCO Pipelines matches employee donations to charitable and cultural organizations.

At all its operations across Canada, ATCO Frontec supports, sponsors and participates in community initiatives and events.

TECHNOLOGIES

ATCO Singlepoint's call centre customer agents were rated best/top performers with regards to knowledge, courtesy and ability to resolve issues.

Focusing on the synergies of ATCO I-Tek and ATCO Singlepoint led to the formation of our new Technologies Group. With significantly increased demand for their services, both companies were successful in 2000 and were able to enhance their reputations as organizations that can, and do, deliver on their commitments.

Market demand for services that effectively integrate people, process and technology continues to grow. Our people are the basis of our success and we remain committed to their growth and development to ensure we continue delivering excellent service to our clients.

Priority projects in 2000 were driven by market factors such as Alberta's deregulating electric industry; the emergence of customer choice in the energy sector, and information sharing needs in the new energy market. ATCO-CIS, our new converged customer information system, has been instrumental in providing the capability to meet these dynamic requirements.

Our Group has been able to respond and adapt to numerous changes impacting the design and reliability of our billing system. As a result, we were one of the first to meet the Alberta government's deadline to create and implement a web-based customer choice interface for energy retailers.

The Technologies Group is well positioned to provide expertise and service capability to the Customer Care and Technology services market and, as such, we anticipate continued strong performance and excellent growth opportunities.

S.W. Kiefer

Siegfried W. Kiefer

Managing Director, Technologies

ATCO SINGLEPOINT

ATCO Singlepoint provides the people, the processes and the systems to deliver Customer Care, Call Centre and Billing services to their clients. In the year 2000, ATCO Singlepoint prepared and delivered more than 12 million utility bills, collected revenues of more than $1.8 billion, and responded to more than two million customer calls on behalf of their clients.

As a consequence of high energy costs, ATCO Singlepoint experienced a more than doubling of the daily call volumes to our call centre. This dramatic increase in call volume resulted in access delays and at times longer than normal telephone wait times for our customers. Responding quickly to the higher demand, ATCO Singlepoint combined an accelerated recruitment and training approach with new telephone technology to meet the increased demand for services. Within weeks, customer wait times were reduced significantly.

Through rigorous employee training, and the continuous monitoring of performance and quality measures, ATCO Singlepoint was able to accommodate this rapid expansion without compromising the quality of service to the customers. In fact, an independent benchmark comparing ATCO Singlepoint's call centre with other energy related call centres in Canada rated our customer agents as the best/top performers with regards to knowledge, courtesy, and ability to resolve issues.

ATCO Singlepoint implemented many new service capabilities and enhancements in 2000, providing Alberta's first web-based Customer Choice interface for energy retailers, implementing Wire Service Provider (WSP) billing services to ATCO Electric, providing default supplier billing services, providing natural gas broker billing information, and converting over 400,000 gas customers to ATCO-CIS.

ATCO I-TEK

ATCO I-Tek provides the technical and application services that support over 200 software applications, more than 3500 desktop and laptop computers, and a network that connects more than 126 locations where the ATCO Group operates.

In the year 2000, ATCO I-Tek experienced a more than 25% increase in the demand for its services. In addition to handling more than 50,000 requests for service from our clients, and completing significant upgrades to our technology infrastructure, ATCO I-Tek operated all systems, at, or above the contracted service level measures for reliability and availability.

S. W. (Siegfried) Kiefer, Managing Director, Technologies

ATCO I-Tek's team of more than 350 IT Professionals were engaged in many critical application and technical infrastructure projects. Some of our significant accomplishments in 2000 include:

- *A web-based Customer Choice interface for energy retailers.*
- *Development and implementation of ATCO Pipelines web-based Transportation Information System. ATCO Pipelines customers are now able to nominate and track accounts for natural gas pipeline transportation services online, saving significant time and expense for both ATCO Pipelines and their customers.*
- *Development and Implementation of a new Billing System to handle billing for power generation legacy plants according to the Power Purchase Arrangements.*
- *Implemented advanced voice technology solutions to improve call handling capacity and call routing capability for the call centre.*
- *Identified and implemented high speed converged data and telephony capability for our networks, including voice over the Internet protocol, and virtual private network services, both of which will provide service improvements and cost benefits to Canadian Utilities Limited.*

In addition to meeting tremendous growth and schedule challenges, ATCO I-Tek was successful in meeting the unit cost reductions committed to as part of their Master Service Agreement with all their clients. For the second straight year, in an independent benchmark comparison, ATCO I- Tek's service levels and unit prices for all areas of service compared favorably to those in the industry.

TECHNOLOGIES

ATCO I-Tek's team of over 350 information technology professionals handled over 50,000 requests for service from their clients in 2000.

COMMUNITY AND ENVIRONMENT

The Technologies Group supports the corporate environmental, health and safety guidelines, employing sound business practices throughout its organization. The use of recycling bins for paper products, as well as the use of recycled paper whenever possible provides a significant positive impact on the environment.

ATCO I-Tek is a sponsor of Alberta's "Computers for Schools" program. This program has enabled ATCO I-Tek to donate retired computer equipment in support of schools and public libraries in communities throughout Alberta. ATCO I-Tek matches employee donations to charitable organizations, partners with other ATCO companies in support of community causes, and sponsors IT industry conferences relevant to the professional development of its employees. ATCO I-Tek also participates in the Intern and Co-Op programs of post secondary institutions in Alberta.

ATCO Singlepoint's community participation strategy is to invest in those places where the company has a face to the customer and in communities where staff live and work.

In 2000, ATCO Singlepoint provided sponsorship for the Red Deer Westerner Days, and made donations to a City of Red Deer sponsored shelter, the Collicutt Centre recreation complex, and matched employee donations to various charitable causes.

FINANCIAL OVERVIEW

New performance records were set by Canadian Utilities in 2000.

> *Earnings per share increased for the 11th consecutive year – earnings per share in 2000 were $3.59 compared to $3.16 in 1999.*
>
> *Earnings increased by 13.6% to $227.4 million in 2000 from $200.1 million in 1999.*
>
> *Primarily as a result of the higher earnings, cash flow from operations increased by $24.9 million to $490.0 million in 2000.*
>
> *Canadian Utilities increased its dividends to share owners for the 29th consecutive year in 2000. Common share dividends were $1.80 per share in 2000 compared to $1.72 per share in 1999.*
>
> *Property, plant and equipment of $4.0 billion in 2000 was up from $3.8 billion in 1999. Capital expenditures (net) increased by $92.8 million to $447.0 million in 2000, primarily the result of increased investment in non-regulated power plants by the Power Generation Group and in additional pipelines by the Logistics and Energy Services Group.*

Franchise fees paid by the regulated companies to communities for the right to distribute natural gas and electricity increased by 28% in 2000 up to $100.1 million, primarily due to higher natural gas costs.

Canadian Utilities' share owners achieved a total return, including capital gain and dividends, of 36% in 2000. Over the last five years, as shown on the graph (on following page), share owners would have received an average annual growth rate of 19% on their investment in Canadian Utilities shares.

The reorganization of Canadian Utilities, implemented on July 1, 1999, provides greater flexibility for the regulated operations to develop, manage and finance their respective operations independently. It also allows the non-regulated operations to continue their growth without affecting the financial strength and credit ratings of the regulated utility operations.

J. A. (Jim) Campbell, Senior Vice President, Finance and Chief Financial Officer

Since the reorganization, CU Inc., the parent company of the regulated utility operations, has issued $500 million of debentures - $300 million in 1999 and $200 million in 2000 to finance the operations of ATCO Electric, ATCO Gas and ATCO Pipelines. In 2000, CU Inc. issued $100 million of 6.97% debentures due June 2, 2008 and $100 million of 7.05% debentures due June 1, 2011. CU Inc. redeemed $50.2 million of long term debt with interest rates ranging up to 8.81% and $34.1 million of preferred shares having a dividend rate of 6.6%.

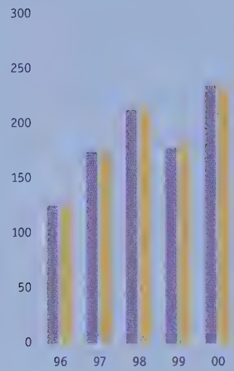
As referenced in the Letter to the Share Owners, our Power Generation Group is increasingly replacing earnings from the regulated companies. The corollary of increased earnings growth is increased capital requirements. Therefore, ATCO Power has arranged financing of approximately $450 million, on a non-recourse basis with anticipated completion in the first half of 2001, for the 150MW cogeneration plant at the Athabasca Oil Sands Project Upgrader at Scotford, Alberta; the 170MW cogeneration plant at the Athabasca Oil Sands Project at the Muskeg River Mine near Fort McMurray; and the 260MW cogeneration plant at the Cory Mine near Saskatoon, Saskatchewan.

Share owners' equity, after increasing by $107.5 million, exceeded $1.5 billion in 2000. Canadian Utilities has the financial strength and financial flexibility required to meet its growth objectives in the short term and in the longer term.

J.A. Campbell

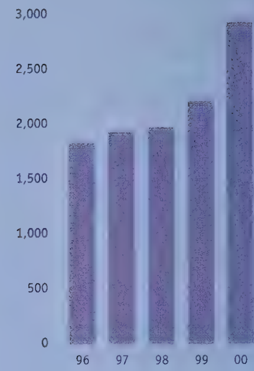
Senior Vice President, Finance
and Chief Financial Officer

FIVE YEAR TOTAL RETURN ON $100 INVESTMENT
(Dollars)

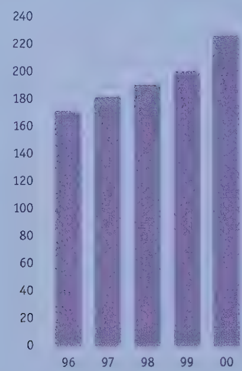


Class A non-voting
Class B common

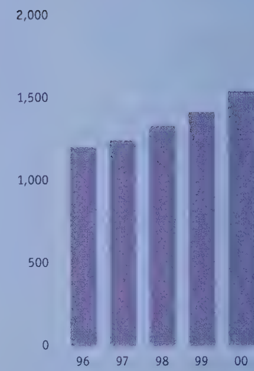
REVENUES
(Millions of Dollars)



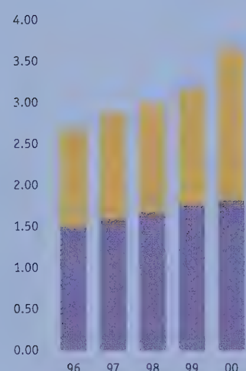
EARNINGS ATTRIBUTABLE TO CLASS A AND CLASS B SHARES
(Millions of Dollars)



CLASS A AND CLASS B SHAREHOLDERS' EQUITY
(Millions of Dollars)

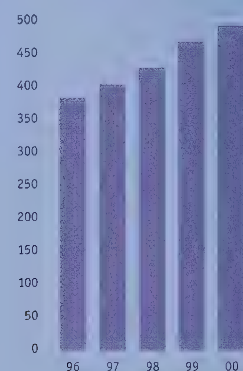


EARNINGS PER CLASS A AND CLASS B SHARE
(Dollars)

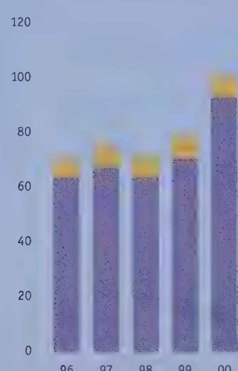


Earnings Retained per Share
Dividends Paid per Share

CASH FLOW FROM OPERATIONS
(Millions of Dollars)

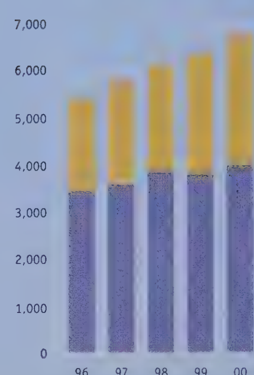


FRANCHISE FEES
(Millions of Dollars)



Electricity Distribution
Natural Gas Distribution

PROPERTY, PLANT AND EQUIPMENT
(Millions of Dollars)



Cost
Net Book Value

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of financial condition and results of operations of Canadian Utilities Limited (the "Corporation") for the years ended December 31, 2000 and 1999 should be read in conjunction with the Corporation's audited consolidated financial statements and related notes contained in this annual report.

The Corporation's annual audited financial statements are consolidated from three principal Business Groups: Utilities, Power Generation, and Logistics and Energy Services. For the purposes of financial disclosure, the Industrials and Technologies Business Groups are accounted for as Other Businesses and corporate transactions are accounted for as Corporate. (Refer to Note 16 to the consolidated financial statements). Transactions between Business Groups are eliminated in all reporting of the Corporation's consolidated financial information.

REORGANIZATIONS

During July 2000, the Corporation's principal operating subsidiaries were reorganized into five focused Business Groups. In addition, on January 1, 2001, the Corporation completed an internal reorganization consisting of the following transactions:

The operations and assets of Northwestern Utilities Limited ("NUL") were transferred to ATCO Gas and Pipelines Ltd. ("AGP") and NUL became an inactive wholly owned subsidiary of AGP.

Substantially all of the generating assets of ATCO Electric Ltd. ("ATCO Electric") were transferred to Alberta Power (2000) Ltd. ("Alberta Power").

Ashcor Technologies Ltd., formerly a subsidiary of ATCO Electric, and Genics Inc., formerly a subsidiary of ATCO Frontec Corp., became direct subsidiaries of the Corporation.

The reorganized structure, with revised roles and responsibilities, will enable the Corporation to sustain its current achievements and to set new goals for future growth.

Except where otherwise indicated, the disclosure in this Management's Discussion and Analysis is presented as at December 31, 2000, after giving effect to the July 2000 and January 1, 2001, reorganizations.

RESULTS OF OPERATIONS

CONSOLIDATED OPERATIONS

Segmented revenues and earnings attributable to Class A non-voting shares ("Class A shares") and Class B common shares ("Class B shares") for the years 2000 and 1999 were as follows:

Business Groups	**Revenues**		**Earnings**	
(Millions of Canadian Dollars)	**2000**	1999	**2000**	1999
Utilities	**2,060.9**	1,570.8	**77.2**	92.4
Power Generation	**696.6**	559.5	**96.5**	67.2
Logistics and Energy Services	**921.3**	555.5	**46.8**	40.7
Other Businesses	**95.5**	79.7	**6.3**	3.4
Corporate	**11.6**	10.6	**(1.9)**	(4.2)
Intersegment	**(862.8)**	(568.4)	**2.5**	0.6
Total	**2,923.1**	2,207.7	**227.4**	200.1

Note:
Certain 1999 comparative figures have been reclassified to conform with the current year's presentation.

Earnings per share increased in 2000 to $3.59 from $3.16 in 1999. Return on common equity was 15.4% in 2000.

Depreciation and depletion expenses rose $9.2 million to $238.7 million in 2000, primarily as a result of capital additions during 1999 and 2000, partially offset by the impact of decreases in U.K. and Australian exchange rates.

Interest expense for 2000 increased by $14.1 million to $196.0 million. This increase was primarily due to new financings in the Utilities and the Logistics and Energy Services Business Groups. $9.4 million of interest was capitalized for projects under construction in power generation operations.

Dividends on retractable preferred shares for 2000 decreased by $6.0 million to $0.6 million primarily as a result of the redemption of $34.1 million of retractable Series S Preferred Shares on March 1, 2000. Dividends on non-retractable equity preferred shares for 2000 increased by $1.9 million to $16.8 million primarily as a result of the reclassification of $15.9 million of retractable Series S Preferred Shares to non-retractable equity preferred shares on March 1, 2000 and the impact of a full year's dividend payment on Series R Preferred Shares which were reclassified from retractable to non-retractable equity preferred shares on June 1, 1999.

Interest and other income for 2000 increased by $0.4 million to $26.0 million, primarily as a result of higher interest rates.

Income taxes for 2000 increased by $7.3 million to $179.4 million. The increase was primarily due to higher earnings from operations, partially offset by manufacturing and processing tax credits and deductions for capitalized overhead.

QUARTERLY FINANCIAL INFORMATION

(Millions of Canadian Dollars except per share data)
(unaudited)

	1st	2nd	3rd	4th
2000				
Revenues	737.4	557.2	577.7	1,050.8
Earnings Attributable to Class A and Class B Shares (1) (2)	76.2	42.6	41.0	67.6
Earnings Per Class A and Class B Share (1) (2)	1.20	0.68	0.64	1.07
Fully Diluted Earnings Per Class A and Class B Share (1) (2)	1.19	0.68	0.64	1.07
1999				
Revenues	643.9	478.4	437.2	648.2
Earnings Attributable to Class A and Class B Shares (1) (2)	73.2	45.2	29.0	52.7
Earnings Per Class A and Class B Share (1) (2)	1.16	0.71	0.46	0.83
Fully Diluted Earnings Per Class A and Class B Share (1) (2)	1.15	0.71	0.46	0.82

Notes:

(1) *There were no discontinued operations or extraordinary items during these periods.*

(2) *Due to the seasonal nature of the Corporation's operations and the timing of rate decisions, earnings for any quarter are not necessarily indicative of operations on an annual basis.*

UTILITIES

Earnings from utilities operations for 2000, which amounted to 34.0% of consolidated earnings of the Corporation, decreased by $15.2 million to $77.2 million, primarily resulting from the impact of rate decisions for AGP, partially offset by improved performance in ATCO Electric and the impact of colder temperatures. Temperatures in 2000 were 4.5% colder than normal, whereas temperatures in 1999 were 8.3% warmer than normal.

Revenues in 2000 increased by $490.1 million to $2,060.9 million. The primary reason for the increase was higher natural gas supply costs recovered in customer rates, partially offset by the impact of rate decisions received in 2000.

Operating expenses for 2000 increased by $518.5 million to $1,702.9 million. This increase was primarily due to higher natural gas supply costs. The amount of natural gas supply costs recorded as an expense is based on the forecast cost of natural gas included in customer rates. Any variances from forecast are deferred until the Alberta Energy and Utilities Board ("AEUB") approves revised rates to either refund or collect the variance. As a consequence, changes in natural gas supply costs have no effect on the Corporation's earnings.

During 2000, the natural gas distribution division of AGP ("ATCO Gas") determined that it would concentrate fully on the distribution of natural gas to its customers and announced that it would sell all of its oil and gas producing properties. On December 22, 2000, ATCO Gas conditionally agreed to sell its Viking-Kinsella producing property effective December 31, 2000 for $490.0 million, before closing adjustments. On January 10, 2001, ATCO Gas reached a conditional agreement to sell its interest in several non-operated producing properties for $15.4 million, subject to closing adjustments. On February 1, 2001, ATCO Gas reached a conditional agreement to sell its interest in the Beaverhill Lake and Fort Saskatchewan area producing properties for $37.0 million, subject to closing adjustments. On February 27, 2001, ATCO Gas reached a conditional agreement to sell its interest in the Lloydminster producing property for $3.8 million, subject to closing adjustments. These sales are expected to close in the second quarter of 2001. Both the sales and the sharing of proceeds between customers and ATCO Gas are subject to regulatory approval.

POWER GENERATION

Earnings from power generation operations (which includes ATCO Power Ltd. ("ATCO Power") and the Alberta interconnected generating assets acquired by Alberta Power) for 2000, which amounted to 42.4% of consolidated earnings of the Corporation, increased by $29.3 million to $96.5 million.

Revenues in 2000 increased by $137.1 million to $696.6 million. This increase was primarily the result of higher power pool prices (ATCO Power) and the recovery of higher Alberta transmission access charges and higher fuel costs (Alberta Power).

Operating expenses for 2000 increased by $78.5 million to $385.9 million. The increase was primarily the result of higher fuel prices and higher Alberta transmission access costs.

ATCO Power is constructing and will operate a $70 million, 92 megawatt natural gas fired generating station near Valleyview, Alberta. All of the electricity produced by the station will be sold to the Alberta power pool. The project is scheduled for commissioning in 2002. ATCO Power will own an 80% interest in the project and ATCO will own 20%.

ATCO Power is constructing and will operate a $33 million, 32 megawatt hydroelectric generating station at the Oldman River dam near Pincher Creek, Alberta. All of the electricity produced by the station will be sold to the Alberta power pool. The project is scheduled for commissioning in 2002. ATCO Power will own an 80% interest in the project and ATCO will own 20%. ATCO Power and the Peigan Nation of Brocket, Alberta are discussing a partnering arrangement in the project.

Alberta Power and the Alberta Balancing Pool entered into an agreement which gives the Alberta Balancing Pool control of the H.R. Milner generating station effective January 1, 2001 and the right to sell it in the future. In return, Alberta Power was paid $63.5 million, the net book value of the station and the coal inventory. Alberta Power will operate the station on a cost of service basis on behalf of the Alberta Balancing Pool. Luscar Ltd. has contracted to supply coal to the generating station.

LOGISTICS AND ENERGY SERVICES

Earnings from logistics and energy services operations for 2000, which amounted to 20.6% of consolidated earnings of the Corporation, increased by $6.1 million to $46.8 million.

Revenues in 2000 increased by $365.8 million to $921.3 million. The primary reason for the increase was higher volumes of natural gas processed and stored in non-regulated natural gas processing, gathering and storage operations and higher prices for natural gas and ethane.

Operating expenses for 2000, net of intersegment expenses, increased by $156.2 million. This increase was primarily due to the increase in natural gas prices.

OTHER BUSINESSES

Earnings from other businesses for 2000, which amounted to 2.8% of consolidated earnings of the Corporation, increased by $2.9 million to $6.3 million.

REGULATORY MATTERS

NATURAL GAS UTILITIES

Merger of NUL and AGP

On June 16, 1998, NUL and AGP (formerly Canadian Western Natural Gas Company Limited) announced that the operations of the two companies would be merged and then restructured into two new businesses, one of which, the natural gas transmission division of AGP ("ATCO Pipelines"), would focus on transmitting natural gas throughout Alberta to industrial customers, distribution companies and export pipelines through high pressure pipelines. The other, ATCO Gas, would distribute natural gas, primarily to residential and commercial customers. The AEUB decision approving the restructuring directed NUL and AGP to maintain separate accounts for regulatory purposes for four new divisions (ATCO Gas North, ATCO Pipelines North, ATCO Gas South and ATCO Pipelines South) until December 31, 2004. The restructuring was completed January 1, 2001 with the transfer of NUL's operations and assets to AGP.

Gas Utilities Act

Under the Gas Utilities Act, customers in Alberta have the choice of purchasing their natural gas supplies from their local natural gas utility or directly from retailers, subject to certain conditions. In any case, the local natural gas utility provides the distribution services for all customers under AEUB approved tariffs which provide for the recovery of the cost of service, including a fair return on rate base.

Customers purchasing natural gas from ATCO Gas do so at rates that are approved by the AEUB. ATCO Gas receives no profit or benefit from increases in natural gas prices. The cost of the natural gas it purchases for sale to its customers is passed on directly to its customers following scrutiny in a public process under the authority of the AEUB. The AEUB requires ATCO Gas to file an application with the AEUB to adjust customer rates whenever the difference between natural gas costs and cost recoveries from customers exceeds levels set by the AEUB. Customer rates proposed by ATCO Gas are scrutinized in public hearings which allow intervenors and the AEUB to test the prudence of ATCO Gas' natural gas purchase prices and resulting costs.

Recent Decisions - ATCO Gas and ATCO Pipelines

In 1998, the AEUB approved a five year negotiated settlement for NUL (ATCO Gas North and ATCO Pipelines North) which established cost of service rates and terms and conditions of service for residential, commercial, institutional and small industrial customers for 1998 through 2002. Among other things, the negotiated settlement included an incentive methodology.
The agreement would be re-opened if the normalized utility return for that year was greater than 400 basis points over the National Energy Board determined return for certain pipelines under its jurisdiction for that year ("NEB Return") or 300 basis points below the NEB Return. In March 2000, ATCO Gas North advised that it had exceeded the 1999 NEB Return by more than 400 basis points, triggering a re-opening of the agreement. ATCO Gas North also advised that there would not be a rate increase for the year 2000. The re-opening was settled by negotiation between ATCO Gas North and its customers. The revised negotiated settlement provided that the current rates would be reduced by 14% effective January 1, 2001 and would remain in effect for the balance of the agreement. In addition, the earnings test was amended and the earnings re-opener clause eliminated. The amended test provides for an equal sharing of the earnings in excess of 300 basis points above the NEB Return. On December 22, 2000, the revised negotiated settlement was approved by the AEUB.

On March 2, 2000, the AEUB issued a decision on the general rate application of AGP (ATCO Gas South and ATCO Pipelines South) for the test year 1998 and the review of the 1997 capital structure and return on common equity.
The decision, among other things, provided for an approved rate of return on common equity of 10.5% in 1997 and 9.375% for 1998. The decision reduced earnings attributable to Class A and Class B shares over the two years, 1997 and 1998, by approximately $18.6 million. Of that amount, $5.6 million was accounted for in the 1998 consolidated financial statements as a result of a customer refund in that year. A further $9.0 million was provided for in the 1999 consolidated financial statements and the balance of $4.0 million was recorded in 2000. Rates approved in the decision were implemented on September 1, 2000.

On May 3, 1999, AGP (ATCO Gas South and ATCO Pipelines South) filed a general rate application for 1999. The AEUB held the application in abeyance until it issued a decision on AGP's 1998 general rate application. On May 4, 2000, AGP requested that the general rate application be withdrawn, stating its belief that the 1998 rates approved by the AEUB were appropriate for 1999 and 2000. On December 21, 2000, the AEUB issued a decision permitting AGP to withdraw the 1999 general rate application and confirming that there was no need to file a general rate application for 2000. The decision also directed AGP to refund $23.7 million to its customers. The refund, comprised of $14.1 million for 1999 and $9.6 million in 2000, arose from the application of 1998 rates for the period January 1, 1999 to August 31, 2000. The refund reduced earnings attributable to Class A and Class B shares by $13.4 million in 2000.

In a decision dated February 4, 2000, the AEUB approved new pipeline tolls and tariffs for Nova Gas Transmission Ltd. ("Nova"). This decision triggered a re-opening of NUL's and AGP's existing Industrial/Producer settlement agreements and ATCO Pipelines commenced negotiations with its customers on the changes to its rates, tolls and charges required to maintain competitiveness with Nova's tolls and tariffs. Negotiations were successful and on November 29, 2000, ATCO Pipelines North and ATCO Pipelines South filed applications with the AEUB requesting approval of the rates and terms and conditions of service for 2001 and 2002. In late December 2000, the AEUB approved the negotiated settlements on an interim refundable basis. A hearing on these applications will follow ATCO Pipelines South general rate application.

On December 6, 2000, ATCO Gas South filed a general rate application for the test years 2001 and 2002. The application requests an increase in revenue requirement of approximately $23.8 million in 2001 and $24.0 million in 2002. The application incorporates forecast costs which, among other things, are based on rates of return of 11.5% for each year on the portion of rate base considered to be financed by common equity. Hearings are scheduled to commence on June 5, 2001.

On December 14, 2000, ATCO Pipelines South filed a general rate application for the test years 2001 and 2002. The application incorporates forecast costs which, among other things, are based on rates of return of 12.00% for each year on the portion of rate base considered to be financed by common equity. Hearings are scheduled to commence on June 26, 2001.

Alberta regulations require ATCO Gas North and ATCO Gas South to seek a rate change from the AEUB when the actual costs of natural gas purchased for the five month winter period are likely to exceed forecast costs by more than $2 million or 3%. Due to the unprecedented high market prices for natural gas, ATCO Gas North and ATCO Gas South had underrecovered $135.1 million by December 31, 2000. On January 19, 2001, ATCO Gas North and ATCO Gas South filed applications with the AEUB seeking recovery of the difference between actual costs incurred to date and the costs forecast to March 31, 2001. The applications sought the approval of one of two options. Option A incorporated an annualized rate which would allow ATCO Gas North and ATCO Gas South to take a 12 month projection of natural gas costs and recover all natural gas supply and related costs, including financing costs, over the next 12 months. Option B was the normal course rate adjustment application which sought to recover the winter gas costs by April 30, 2001. On January 24, 2001, the AEUB approved Option A on an interim basis. On February 28, 2001, the AEUB approved the winter gas cost recovery rates for all customers. Option A was approved for residential, commercial and industrial customers, that use less than 8,000 gigajoules annually. For all other customers, the AEUB approved option B. For option B customers, ATCO Gas must apply for a summer gas cost recovery rate that will be in effect from May 1, 2001 through October 31, 2001.

ELECTRIC UTILITIES

Electric Utilities Act

The Electric Utilities Act ("EUA") provides the framework for a new structure in Alberta's electric utility industry and introduces competition into the electric utility business. As of January 1, 2001, generation has been completely deregulated, retail competition has been introduced and retail choice is available. Most of the regulations under the EUA required for the deregulation and retail competition are in place. ATCO Electric, along with other industry participants, continues to be involved in discussions with the government of Alberta regarding further amendments to the EUA and the associated regulations.

It is anticipated that ATCO Electric's transmission and distribution activities will continue to be regulated.

New Generation

Under the EUA, generation assets constructed after December 31, 1995 are not considered part of utility operations and rates are not regulated by the AEUB. All owners of new and existing generating units must sell their surplus electric energy through the Alberta power pool.

Existing Generation

The EUA provided for the equalization of costs of "existing generation" that was in service at December 31, 1995. On January 1, 2001, existing generation was deregulated through a system of long term power purchase arrangements ("PPAs"). Under the PPAs, generators are required to make the generation available to the purchaser of the PPA. In return, the generator is entitled to recover its fixed and variable forecast costs for that unit from the PPA purchaser, including a fair return on common equity. Many of the forecast costs will be determined by index, formula or other means for the entire period of the PPA. There will be no continuing regulation of PPAs by the AEUB.

Transmission

Under the EUA, separate wholesale tariffs for transmission must be approved by the AEUB. The transmission tariffs allow any owner of a generating unit to have access to the transmission systems in Alberta and thus facilitate the sale of its power. The same transmission tariff is charged to each distribution utility or customer directly connected to the transmission system regardless of location.

The equalization of transmission costs is achieved by having each owner of transmission facilities charge its costs to the Transmission Administrator. The Transmission Administrator then aggregates these costs and charges a common transmission rate to all who use the transmission system.

Distribution

Under the EUA, separate retail rates for distribution must be approved by the AEUB. Costs of distribution are not equalized. The distribution utility provides the transportation and distribution services for all customers under AEUB approved tariffs which provide for the recovery of the cost of service, including a fair return on rate base.

Retail

Commencing January 1, 2001, all customers have a choice as to the supplier of their electric energy. Industrial and large commercial customers are required to select a retailer effective January 1, 2001. Other customers may continue to purchase electricity from their current distribution utility under a regulated rate option. This option is to be available for five years (2001 – 2005) for residential and farm customers and for three years (2001 – 2003) for small commercial and small industrial customers.

Recent Decisions - ATCO Electric

In October 2000, the AEUB approved a negotiated settlement relating to ATCO Electric's 2001 and 2002 transmission facility owner tariffs.
In February 2001, the AEUB approved a negotiated settlement relating to the revenue requirements for ATCO Electric's 2001 and 2002 distribution functions. Prior to approving the negotiated settlements, the AEUB undertook a process to ensure that the negotiated settlements complied with AEUB guidelines and were in the public interest.

The AEUB also approved ATCO Electric's 2001 regulated rate option tariff in three separate decisions. The AEUB approved energy supply arrangements, non-energy cost components and rates and terms and conditions of service effective January 1, 2001. In late 2000, the government of Alberta announced that the energy component of the regulated rate option would be set at 11 cents per kilowatt hour for 2001. As a result, ATCO Electric may be paying more or less for its purchases of electricity than it is allowed to collect from its customers. To alleviate this, ATCO Electric will be able to apply to the AEUB after July 1, 2001, and, subject to AEUB approval, recover any deficiency or refund any surplus commencing after January 1, 2002.

In December 2000, the Minister of Resource Development issued a Deferral Account Deficiency Correction Regulation and in January 2001 issued a Deferral Account Deficiency Correction Amendment Regulation. The effect of these regulations is that specific distribution deferral accounts related to pool price and energy volume variance from forecast for 2000 will be held in

a deferral account. Subject to AEUB approval, the non-current deferral account balance, which amounted to $86.0 million as at December 31, 2000, will be recovered from customers during the period from January 1, 2002 to December 31, 2004. The regulations allow distributors to recover the costs of financing the amounts in the deferral accounts. ATCO Electric has received approval from the AEUB to receive a monthly carrying cost payment on an interim refundable basis related to these deferral accounts in accordance with these regulations.

The transfer of substantially all of ATCO Electric's generating units to Alberta Power was conditionally approved by the AEUB on December 19, 2000, subject to a review of the values of assets and liabilities transferred, the impact on deferred income taxes and the income tax elections. ATCO Power operates Alberta Power's assets pursuant to management agreements.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow from operations provides a substantial portion of the Corporation's cash requirements. Additional cash requirements are met externally through bank borrowings and the issuance of long term debt, preferred shares and common equity. Commercial paper borrowings and short term bank loans are used to provide flexibility in the timing and amounts of long term financing.

Cash flow from operations increased by $24.9 million to $490.0 million in 2000, primarily due to higher earnings before future income taxes and depreciation and depletion.

Investing increased from $351.1 million in 1999 to $432.1 million in 2000, primarily as a result of higher capital expenditures during 2000 and an increase in non-current deferred electricity costs.

Capital expenditures in 2000 increased from $354.2 in 1999 to $447.0 million in 2000, primarily the result of increased investment in power generation facilities (ATCO Power) and pipeline extensions in the Logistics and Energy Services Business Group (ATCO Pipelines).

To finance 2000 operations, the Corporation issued $219.1 million of recourse long term debt, including $100.0 million of 6.97% debentures due June 2, 2008 and $100.0 million of 7.05% debentures due June 1, 2011 for ATCO Electric, ATCO Gas and ATCO Pipelines. In addition, the Corporation issued $9.3 million of non-recourse long term debt and $116.4 million of notes payable.

During 2000, the Corporation redeemed $68.1 million of recourse long term debt and $23.1 million of non-recourse long term debt. The debt redeemed had interest rates ranging from 5.49% to 10.795%. The Corporation also redeemed $34.1 million of preferred shares having a dividend rate of 6.60%.

At December 31, 2000, the Corporation had credit lines totaling $908.9 million, of which $392.8 million was available on a long term committed basis by the lenders, $314.5 million was available on a short term committed basis and $201.6 million was available on an uncommitted basis. At December 31, 2000, $280.7 million of long term committed credit lines, $304.4 million of short term committed credit lines and $93.6 million of uncommitted credit lines were available to be drawn.

In response to increased working capital requirements arising from high natural gas prices and the deregulation of the electrical industry in Alberta, CU Inc. increased the maximum amount authorized to be borrowed under its commercial paper program from $200.0 million to $400.0 million on March 1, 2001. The amount of the undrawn committed line of credit which provides assurance that CU Inc. will be able to make payment of all commercial paper borrowings has also been increased to $400.0 million.

In response to increased working capital requirements arising from growth in non-regulated operations, CU increased the maximum amount authorized to be borrowed under its commercial paper program from $100.0 million to $200.0 million on March 1, 2001. The amount of the undrawn committed line of credit which provides assurance that CU will be able to make payment of all commercial paper borrowings has also been increased to $200.0 million.

The amount and timing of future financings will depend on market conditions and the specific needs of the Corporation.

Future income tax liabilities of $55.2 million current and $172.3 million non-current at December 31, 2000 are attributable to differences between the financial statement carrying amounts of assets and liabilities and their tax bases. These differences result primarily from recognizing revenue and expenses in different years for financial and tax reporting purposes. Future income taxes will become payable when such differences are reversed through the settlement of liabilities and realization of assets.

On May 19, 2000, the Corporation commenced a normal course issuer bid for the purchase of up to 5% of its outstanding Class A non-voting shares. The offer will expire May 18, 2001. To date, no shares have been purchased pursuant to this normal course issuer bid.

It is the policy of the Corporation to pay dividends quarterly on its Class A non-voting and Class B common shares. In 2000, the Corporation increased the dividends on Class A non-voting and Class B common shares by $0.08 per share, the same increase as in 1999. The Corporation has increased its annual common share dividend each year since its inception as a holding company in 1972. The matter of an increase in the quarterly dividend is addressed by the board of directors in the first quarter of each year. For the first quarter of 2001, the quarterly dividend payment has been increased by $0.02 to $0.47 per share. The payment of any dividend is at the discretion of the board of directors and depends on the financial condition of the Corporation and other factors.

The current ratings on CU's and CU Inc.'s securities are as follows:

	DBRS (1)	CBRS (2)
CU:		
Debentures	A	A+
Commercial paper	R-1 (low)	A-1
Preferred shares:		
- Existing	Pfd-2 (high)	P-1
- New	Pfd-2	P-2 (high)
CU Inc.:		
Debentures	A (high)	AA-
Commercial paper	R-1 (low)	A-1 (high)
Preferred shares	Pfd-2 (high)	P-1 (low)

Notes:

(1) *DBRS maintains a stable trend on the above securities.*

(2) *Standard & Poor's ("S&P") acquired CBRS in late 2000 and announced it was implementing a process for harmonizing outstanding CBRS ratings with S&P criteria and ratings scales. CU and CU Inc. are currently in discussions with S&P regarding new harmonized ratings.*

BUSINESS RISKS

REGULATED OPERATIONS

The Corporation's regulated operations are subject to the normal risks faced by regulated companies. These risks include the approval by the AEUB of customer rates which permit a reasonable opportunity to recover on a timely basis the estimated costs of providing service, including a fair return on rate base. The Corporation's ability to recover the actual costs of providing service and to earn the approved rates of return depends on achieving the forecasts established in the rate-setting process.

The business risks for ATCO Electric have changed with the introduction of retail competition on January 1, 2001. Together with the transfer of the interconnected generation assets to Alberta Power, this stage of deregulation leaves ATCO Electric as a regulated transmission and distribution utility.

Beginning January 1, 2001, ATCO Electric is required to supply energy to certain customers in one of three ways: through the regulated rate option, as the supplier of last resort and as the default supplier. For all three types of energy supply, ATCO Electric is investigating energy procurement strategies that mitigate both price and volume risk.

With the exception of the above types of customers, ATCO Electric now receives its revenues from unregulated retailers. As protection against bad debt, ATCO Electric has specified certain prudential requirements to be met by retailers, within limits allowed by legislation.

ATCO Electric is obligated to supply energy under the regulated rate option to the residential, farm and small commercial customers in its designated service area who do not choose an unregulated retailer. ATCO Electric is also the supplier of last resort for the regulated rate option eligible customers. ATCO Electric may purchase electricity from marketers, generators and the Alberta power pool at fixed and spot prices to supply the regulated rate option customers.

ATCO Electric is also obligated to assign a default supplier for its customers who are not eligible for the regulated rate option tariff and do not choose an unregulated retailer. ATCO Electric appointed itself as the default supplier and purchases electricity from the Alberta power pool at the spot price to supply the default supply customers.

Effective January 1, 2001, ATCO Electric appointed itself as the supplier of last resort for its customers who are not eligible for the regulated rate option tariff and who do not have a retailer after December 31, 2000. The energy procurement price for these customers will also be the spot price of the Alberta power pool.

NON-REGULATED OPERATIONS

The Corporation's non-regulated operations are complementary to its traditional regulated businesses and are related to them in terms of skills, knowledge and experience. The Corporation accounts for its non-regulated operations separately from its regulated operations. The Corporation's non-regulated operations are subject to the risks faced by any commercial enterprise in those industries and in those countries in which they operate.

By entering into long term contracts with purchasers for the output of projects and with key suppliers, the Corporation is able to limit its risk. In the majority of power generation and steam sales undertakings to date, risks in respect of fuel and energy prices have by contract been agreed and allocated to the purchasers of the electric energy and steam and the Corporation has not assumed any risks in this regard.

During 2000, 80.9% of the volume of ATCO Power's natural gas supply was purchased under long term contracts or supplied by the purchasers of the electricity. During 2001, 75% of the volume of ATCO Power's natural gas supply is expected to be purchased under long term contracts or supplied by the purchasers of the electricity.

For those projects in Alberta for which there are no long term agreements for the purchase of the power generated, ATCO Power purchases its natural gas supplies on the short term market, as it believes that the hourly price of power in the Alberta power pool reflects, and will continue to be closely related to, the current market price of natural gas in Alberta.

ATCO Power has financed approximately 80% of its non-regulated electrical generating capacity on a non-recourse basis. In these projects, the lender's recourse in the event of default is limited to the business and assets of the project in question and to the Corporation's equity therein. The Corporation's remaining non-regulated projects are financed through long term bank credit facilities and from internally generated cash.

After December 31, 2000, substantially all the electricity generated by Alberta Power will be sold pursuant to PPAs with EPCOR Utilities Inc. (Battle River generating plant); Engage Energy, a wholly owned subsidiary of Westcoast Energy Inc. (Rainbow generating plant); and the Alberta Balancing Pool (Sheerness generating plant). Under the PPAs, Alberta Power is required to make the generating capacity for each generating unit available to the purchaser of the PPA for that unit. In return, Alberta Power is entitled to recover its forecast fixed and variable costs for that unit from the PPA purchaser, including a return on common equity equal to the long term Canada bond rate plus 4.5% based on a deemed common equity ratio of 45%. Many of the forecast costs will be determined by index, formula or other means for the entire period of the PPA. The AEUB will not regulate the PPAs. Alberta Power's actual results will vary and depend on achieving the forecasts on which the PPAs are based.

Fuel costs in Alberta Power are mostly for coal supply. To protect against volatility in coal prices, Alberta Power owns or has committed under long term contracts sufficient coal supplies for the anticipated lives of its Battle River and Sheerness coal-fired generating plants. These contracts are at prices that are either fixed or indexed to inflation.

HEDGING

It is the policy of the Corporation to use financial instruments to reduce specific risk exposures and not to hold these instruments for trading purposes.

The Corporation has entered into several contracts in order to reduce interest rate, foreign exchange and commodity price risk. The financial impact of these contracts is not material and the counterparty in each transaction is a major financial institution or a significant industry participant.

March 1, 2001

Management is responsible for the preparation of the consolidated financial statements, management's discussion and analysis and other financial information relating to the Corporation contained in this annual report. The consolidated financial statements have been prepared in conformity with Canadian generally accepted accounting principles using methods appropriate for the industries in which the Corporation operates and necessarily include some amounts that are based on informed judgments and best estimates of management. The financial information contained elsewhere in the annual report is consistent with that in the consolidated financial statements.

Management depends upon internal accounting control systems to meet its responsibility for reliable and accurate reporting. These control systems are subject to periodic review by the Corporation's internal auditors.

PricewaterhouseCoopers, our independent auditors, are engaged to express a professional opinion on the consolidated financial statements.

The Board of Directors, through its Audit Committee comprised of six non-management directors, oversees management's responsibilities for financial reporting. The Audit Committee meets regularly with management, the internal auditors and the independent auditors to discuss auditing and financial matters, to gain assurance that management is carrying out its responsibilities and to review and approve the consolidated financial statements. The auditors have full and free access to the Audit Committee.

J.A. Campbell
Senior Vice President, Finance
and Chief Financial Officer

K.M. Watson
Vice-President
Controller

To the Shareholders of Canadian Utilities Limited

We have audited the consolidated balanced sheets of Canadian Utilities Limited as at December 31, 2000 and 1999 and the consolidated statements of earnings and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2000 and 1999 and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants
Calgary, Alberta
February 9, 2001, except as to Note 18
which is as of February 28, 2001.

(Millions of Canadian Dollars except per share data)

		Year ended December 31	
	Note	**2000**	1999
Revenues		**$ 2,923.1**	$ 2,207.7
Costs and expenses			
Natural gas supply		**1,006.4**	552.8
Fuel and purchased power		**349.5**	255.0
Operation and maintenance		**634.2**	542.2
Depreciation and depletion		**238.7**	229.5
Franchise fees		**100.1**	78.2
		2,328.9	1,657.7
Financing charges and other			
Interest expense		**168.7**	151.3
Interest expense on non-recourse long term debt		**27.3**	30.6
Dividends on retractable preferred shares		**0.6**	6.6
Interest and other income	2	**(26.0)**	(25.6)
		170.6	162.9
Earnings before income taxes		**423.6**	387.1
Income taxes	3	**179.4**	172.1
Net earnings		**244.2**	215.0
Dividends on non-retractable equity preferred shares		**16.8**	14.9
Earnings attributable to Class A and Class B shares		**227.4**	200.1
Retained earnings at beginning of year		**913.0**	822.6
		1,140.4	1,022.7
Dividends on Class A and Class B shares		**114.0**	109.0
Direct charges	4	**3.8**	0.7
Retained earnings at end of year		**$ 1,022.6**	$ 913.0
Earnings per Class A and Class B share		**$ 3.59**	$ 3.16
Diluted earnings per Class A and Class B share		**$ 3.58**	$ 3.14
Dividends paid per Class A and Class B share		**$ 1.80**	$ 1.72

(Millions of Canadian Dollars)

	Note	December 31 2000	1999
ASSETS			
Current assets			
Cash and short term investments		$ 154.1	$ 67.5
Accounts receivable		629.2	340.5
Inventories		135.6	120.2
Income taxes recoverable		24.8	-
Deferred natural gas costs	18	135.1	5.7
Deferred electricity costs	17	87.8	16.1
Prepaid expenses		16.3	13.3
		1,182.9	563.3
Property, plant and equipment	5	4,007.0	3,847.7
Security deposits for debt		22.4	23.4
Deferred electricity costs	17	86.0	3.5
Other assets	6	91.8	90.7
		$ 5,390.1	$ 4,528.6
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Bank indebtedness		$ 117.4	$ 21.4
Accounts payable and accrued liabilities		655.8	252.1
Accrued interest and dividends		34.1	33.8
Income taxes payable		-	13.8
Future income taxes	3	55.2	2.5
Non-recourse long term debt due within one year	7	26.7	24.4
		889.2	348.0
Future income taxes	3	172.3	166.9
Deferred credits		43.0	31.8
Notes payable	8	197.1	80.7
Long term debt	7	1,865.5	1,716.2
Non-recourse long term debt	7	360.0	395.4
Retractable preferred shares	9	-	50.0
Non-retractable equity preferred shares	9	336.5	320.6
Class A and Class B shareholders' equity			
Class A and Class B shares	10	506.4	506.5
Retained earnings		1,022.6	913.0
Foreign currency translation adjustment		(2.5)	(0.5)
		1,526.5	1,419.0
		$ 5,390.1	$ 4,528.6

C.O. Twa
Director

B.K. French
Director

(Millions of Canadian Dollars)

	Note	Year ended December 31 2000	1999
Operating activities			
Earnings attributable to Class A and Class B shares		**$ 227.4**	$ 200.1
Non-cash items included in earnings			
Depreciation and depletion		**238.7**	229.5
Future income taxes		**8.6**	34.7
Other - net		**15.3**	0.8
Cash flow from operations		**490.0**	465.1
Changes in non-cash working capital	11	**(139.9)**	(38.4)
		350.1	426.7
Investing activities			
Capital expenditures - net		**(447.0)**	(354.2)
Contributions by utility customers for extensions to plant		**41.2**	45.3
Non-current deferred electricity costs		**(86.0)**	(3.5)
Changes in non-cash working capital	11	**68.5**	(14.7)
Other		**(8.8)**	(24.0)
		(432.1)	(351.1)
Financing activities			
Change in notes payable		**116.4**	(105.8)
Issue of long term debt		**219.1**	367.7
Issue of non-recourse long term debt		**9.3**	51.3
Repayment of long term debt		**(68.1)**	(128.2)
Repayment of non-recourse long term debt		**(23.1)**	(50.0)
Security deposits for debt		**-**	2.5
Redemption of retractable preferred shares		**(34.1)**	(96.3)
Purchase of Class A shares		**(1.7)**	(0.6)
Dividends paid to Class A and Class B shareholders		**(114.0)**	(109.0)
Changes in non-cash working capital	11	**(18.8)**	3.0
Other		**(9.5)**	(3.8)
		75.5	(69.2)
Foreign currency translation		**(2.9)**	(5.1)
Cash position [1]			
Increase (decrease)		**(9.4)**	1.3
Beginning of year		**46.1**	44.8
End of year		**$ 36.7**	$ 46.1

[1] Cash position includes cash and short term investments less current bank indebtedness.

Financial Statement Presentation

The consolidated financial statements include the accounts of Canadian Utilities Limited and its subsidiaries, including a proportionate share of joint venture investments ("Canadian Utilities"). Principal operations are Utilities (ATCO Electric – transmission and distribution, ATCO Gas), Power Generation (ATCO Power, ATCO Electric – Alberta power generation), Logistics and Energy Services (ATCO Pipelines, ATCO Midstream, ATCO Frontec), Industrials (ASHCOR Technologies, Genics) and Technologies (ATCO Singlepoint, ATCO I-Tek). Significant joint venture investments include Thames Power Limited and several cogeneration plants.

Certain comparative figures have been reclassified to conform to the current presentation.

Regulation

ATCO Electric, ATCO Gas and ATCO Pipelines ("regulated operations") are regulated primarily by the Alberta Energy and Utilities Board ("AEUB"), which administers acts and regulations covering such matters as rates, financing, accounting, construction, operation and service area. The AEUB may award interim rates, subject to final determination.

Revenue Recognition

Revenues are recognized on the accrual basis and include an estimate of services provided but not yet billed.

Revenues resulting from the supply of contracted services are recorded by the percentage of completion method. Full provision is made for any anticipated loss.

Natural Gas Supply

Natural gas supply expense is based on the forecast cost of natural gas included in customer rates. Variances from forecast costs are deferred until such time as approval from the AEUB is obtained for refund to or collection from customers through revised rates and natural gas supply expense is adjusted accordingly.

Purchased Power

Purchased power expense is based on the actual cost of electricity purchased. The amount included in customer rates for purchased power is based on forecast, with most variances from forecast recorded as deferred electricity costs. These costs remain deferred until such time as approval from the AEUB is obtained for refund to or collection from customers.

Income Taxes

The regulated operations follow the method of accounting for income taxes that is consistent with the method of determining the income tax component of their rates. When future income taxes are not provided in the income tax component of current rates, such future income taxes are not recognized to the extent that it is expected that they will be recovered from customers through inclusion in future rates.

Other subsidiaries follow the liability method of accounting for income taxes. Under this method future tax liabilities and assets are recognized for the estimated tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Future tax liabilities and assets are measured using enacted and substantively enacted tax rates. The effect on future tax liabilities and assets of a change in tax rates is recognized in income in the period that the change occurs.

Inventories

Inventories are valued at the lower of average cost or net realizable value.

Property, Plant and Equipment

The regulated operations include in capital expenditures an allowance for funds used during construction at rates approved by the AEUB for debt and equity capital. Capital expenditures in the other subsidiaries include capitalized interest incurred during construction.

Certain regulated additions are made with the assistance of non-refundable cash contributions from customers when the estimated revenue is less than the cost of providing service or where special equipment is needed to supply the customers' specific requirements. These contributions are amortized on the same basis as, and offset the depreciation charge of, the assets to which they relate. Property, plant and equipment is disclosed net of unamortized contributions.

Depreciation is provided on assets on a straight-line basis over their estimated useful lives. Depreciation rates for regulated assets are approved by the AEUB. For certain assets these approved depreciation rates include a provision for future removal costs and site restoration costs. On retirement of depreciable regulated assets, the accumulated depreciation is charged with the cost of the retired unit, net disposal costs and site restoration costs.

Deferred Financing Charges

Issue costs of long term debt are amortized over the weighted average life of the debt and issue costs of preferred shares are amortized over the expected life of the issue. Unamortized premiums and issue costs of redeemed long term debt and preferred shares are amortized over the life of the issue funding the redemption.

Notes Payable

Under bank loan agreements that are renewed on a continuing basis, Canadian Utilities may issue commercial paper or borrow directly from the bank. These borrowings allow Canadian Utilities to manage the amount and timing of long term debt, preferred share and equity issues and are classified as long term.

Long Term Debt Due Within One Year

When Canadian Utilities intends to refinance long term debt due within one year on a long term basis and there is a written undertaking from an underwriter to act on Canadian Utilities' behalf with respect thereto, or sufficient capacity under long term bank loan agreements to issue commercial paper or assume bank loans, then long term debt due within one year is classified as long term.

Hedging

In conducting its business, Canadian Utilities uses various instruments, including forward contracts, swaps and options, to manage the risks arising from fluctuations in exchange rates, interest rates and commodity prices. All such instruments are used only to manage risk and not for trading purposes.

Gains and losses are recognized in income in the same period and in the same financial statement category as the income or expense from the hedged position.

Employee Future Benefits

Effective January 1, 2000, Canadian Utilities prospectively adopted the recommendations of the Canadian Institute of Chartered Accountants on accounting for employee future benefits. This accounting change had the effect of decreasing 2000 earnings by $3.4 million.

Canadian Utilities accrues for its obligations under defined benefit pension and other post employment benefit plans. Costs of these benefits are determined using the projected benefits method prorated on service and reflects management's best estimates of investment returns, wage and salary increases, age at retirement and expected health care costs. In prior years, the cost of other post-employment benefits was expensed as paid. Pension plan assets are reported at market value and expected return on plan assets is calculated based on market value. Experience gains and losses in excess of 10% of the greater of the accrued benefit obligations or the market value of plan assets, adjustments resulting from plan amendments, changes in assumptions and the net transitional liability or asset arising upon adoption of this new accounting standard are amortized over the estimated average remaining service life of employees.

Employer contributions to the defined contribution pension plans are expensed as paid.

Stock-Based Compensation Plans

Canadian Utilities Limited has a stock option plan and a share appreciation rights plan, and participates in the share appreciation rights plan of its parent corporation, ATCO Ltd., all of which are described in Note 10. No compensation expense is recognized when stock options or share appreciation rights are granted. Any consideration paid by holders of the stock options upon exercise is credited to share capital. If stock options are repurchased, the consideration paid to the holders of the options is charged to retained earnings. Compensation expense for the share appreciation rights plans is accrued monthly to the date of vesting on the basis of the difference between the greater of the market price of the Canadian Utilities Limited Class A non-voting shares and the ATCO Ltd. Class I Non-Voting shares or the 12 month average market price thereof over the base value of the rights.

	2000	1999
Allowance for funds used by regulated operations	$ 4.4	$ 4.4
Interest	18.5	13.0
Other	3.1	8.2
	$ 26.0	$ 25.6

The income tax provision differs from that computed using the statutory tax rates for the following reasons:

	2000		1999	
Earnings before income taxes	$ 423.6	%	$ 387.1	%
Income taxes, at statutory rates	$ 189.0	44.6	$ 172.6	44.6
Dividends on retractable preferred shares	0.2	0.1	2.9	0.8
Allowance for funds used by regulated operations	(1.0)	(0.2)	(1.0)	(0.3)
Depreciation of capitalized allowance for funds used by regulated operations	3.7	0.9	3.7	1.0
Crown royalties and other non-deductible Crown payments	8.2	1.9	4.2	1.1
Earned depletion and resource allowance	(12.7)	(3.0)	(6.3)	(1.6)
Large Corporations Tax	7.0	1.6	5.5	1.4
Manufacturing and processing tax credit	(3.4)	(0.8)	(1.0)	(0.3)
Foreign tax rate variance	(3.4)	(0.8)	(4.6)	(1.2)
Non-deductible interest on foreign financing	1.7	0.4	1.8	0.5
Change in future income taxes resulting from reduction in tax rates	(1.8)	(0.4)	(1.9)	(0.5)
Unrecorded future income taxes	(11.6)	(2.8)	(2.6)	(0.7)
Other	3.5	0.9	(1.2)	(0.3)
	179.4	42.4	172.1	44.5
Current income taxes	118.2		139.0	
Future income taxes	$ 61.2		$ 33.1	
The future income tax liabilities comprise the following:				
Property, plant and equipment	$ 178.3		$ 167.9	
Deferred costs	62.2		10.3	
Reserves	(6.5)		(1.4)	
Tax loss carryforwards	(3.7)		(8.4)	
Other	(2.8)		1.0	
	227.5		169.4	
Less: Amounts included in current future income taxes	55.2		2.5	
	$ 172.3		$ 166.9	

Unrecorded future income taxes of the regulated operations increased by $11.6 million to $192.8 million at December 31, 2000. This balance includes $62.1 million in respect of ATCO Electric's Alberta power generation facilities. Effective January 1, 2001, these facilities were deregulated through a system of power purchase arrangements approved by the AEUB. These unrecorded future taxes of $62.1 million will be recovered through future payments received in respect of the power purchase arrangements.

Expected future recoveries relating to tax loss carryforwards have been recorded in the amount of $3.7 million, of which $0.1 million expires at the beginning of 2008, $3.6 million does not expire.

Income taxes paid amounted to $147.7 million (1999 - $139.6 million).

	2000	1999
Class A shares purchased	$ 1.5	$ 0.6
Stock options settled	2.3	0.1
	$ 3.8	$ 0.7

		2000		1999	
	Composite Depreciation Rates	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Utilities	3.7%	$ 3,721.1	$ 1,365.8	$ 3,546.8	$ 1,261.0
Power generation	3.3%	2,100.6	644.7	2,002.7	611.0
Logistics and energy services	4.0%	901.5	285.4	820.1	253.5
Other	21.7%	42.5	18.3	33.5	9.7
		$ 6,765.7	2,314.2	$ 6,403.1	2,135.2
Property, plant and equipment, less accumulated depreciation			4,451.5		4,267.9
Unamortized contributions by customers for extensions to regulated plant			444.5		420.2
			$ 4,007.0		$ 3,847.7

Accumulated depreciation includes amounts provided for future removal and site restoration costs, net of salvage value, of $212.7 million (1999 - $187.3 million).

Composite depreciation rates reflect total depreciation in the year as a percentage of mid-year cost, excluding construction work-in-progress of $176.5 million (1999 - $146.4 million) and non-depreciable assets of $49.1 million (1999 - $37.5 million).

	2000	1999
Deferred pension asset (Note 14)	$ 24.4	$ 24.3
Costs deferred for recovery through future regulated rates	40.0	40.0
Deferred financing charges	11.7	9.8
Other	15.7	16.6
	$ 91.8	$ 90.7

	2000	1999
CU Inc. debentures		
1994 Medium Term Note 8.81% due April 2000	**$ -**	$ 50.0
1997 Medium Term Note 5.42% due November 2002	**68.0**	68.0
1993 Series 7.25% due September 2003	**60.0**	60.0
1994 Series 8.73% due June 2004	**100.0**	100.0
1995 Series 8.43% due June 2005	**125.0**	125.0
1986 Series 9.85% due October 2006, redeemable October 2001	**100.0**	100.0
1986 Second Series 10.25% due December 2006, redeemable December 2001	**90.0**	90.0
1987 Series 12% due October 2007, redeemable October 2002	**125.0**	125.0
2000 6.97% due June 2008	**100.0**	-
1989 Series 10.20% due November 2009	**125.0**	125.0
1990 Series 11.40% due August 2010	**125.0**	125.0
2000 7.05% due June 2011	**100.0**	-
1999 Series 6.8% due August 2019	**300.0**	300.0
1990 Second Series 11.77% due November 2020	**100.0**	100.0
1991 Series 9.92% due April 2022	**125.0**	125.0
1992 Series 9.40% due May 2023	**100.0**	100.0
	1,743.0	1,593.0
ATCO Midstream Ltd. credit facility, at Bankers' Acceptance rates, due June 2003	**45.0**	62.9
ATCO Power Canada Ltd. credit facility, due March 2003:		
At fixed rates from 5.567% to 5.79%	**30.7**	34.6
At Bankers' Acceptance rates	**19.3**	10.4
ATCO Power Australia Pty. Ltd. credit facility, at Bank Bill rates plus 0.45%, due March 2001, payable in Australian dollars	**17.1**	4.7
Other long term obligations, at rates from 7.50% to 8.87%	**10.4**	10.6
	$ 1,865.5	$ 1,716.2
Non-recourse (secured only by specific project assets)		
Barking Power Limited project financing, due to 2010, payable in British pounds:		
At fixed rates averaging 7.95%	**$ 98.6**	$ 108.7
At London Interbank Offered Rate plus 0.5089%	**161.8**	178.3
Joffre cogeneration project financing:		
At Bankers' Acceptance rates plus 1.25%, due to 2012	**12.6**	9.0
At London Interbank Offered Rate plus 1.25%, due to 2012	**16.1**	10.3
At fixed rate of 8.59%, due to 2020	**32.0**	32.0
Osborne Cogeneration Pty Ltd. project financing, at 9.795%, due to 2013, payable in Australian dollars	**52.0**	64.0
McMahon cogeneration plant term facility, at 9.135%, due to 2004	**13.6**	17.5
	386.7	419.8
Less: Amounts due within one year	**26.7**	24.4
	$ 360.0	$ 395.4

The interest rates disclosed for certain of the non-recourse debt obligations reflect the effect of interest rate swap agreements.

The minimum annual debt repayments for each of the next five years are as follows:

	Long Term Debt	Non-Recourse Long Term Debt	Total
2001	$ 24.3	$ 26.7	$ 51.0
2002	71.2	27.8	99.0
2003	155.0	29.4	184.4
2004	100.0	27.7	127.7
2005	125.0	32.4	157.4
	$ 475.5	$ 144.0	$ 619.5

Of the $51.0 million due in 2001, $24.3 million is to be refinanced and is, therefore, excluded from long term debt due within one year in the balance sheet.

Redemption privileges

Certain debentures of Canadian Utilities are redeemable prior to maturity on the dates specified above at the principal value plus accrued and unpaid interest.

Fair values

Fair values for the above debt, determined using quoted market prices for the same or similar issues, are shown below. Where market prices are not available, fair values are estimated using discounted cash flow analysis based on Canadian Utilities' current borrowing rate for similar borrowing arrangements.

	2000	1999
Long term debt		
Fixed rate	**$ 2,044.7**	$ 1,860.9
Floating rate	**81.4**	78.1
	$ 2,126.1	$ 1,939.0
Non-recourse long term debt		
Fixed rate	**$ 241.9**	$ 232.0
Floating rate	**161.8**	199.6
	$ 403.7	$ 431.6

Interest expense

Interest expense is shown net of interest capitalized of $8.5 million (1999 – $3.6 million) and interest expense on non-recourse long term debt is shown net of interest capitalized of $0.9 million (1999 - $0.2 million). Interest paid amounted to $204.4 million (1999 – $173.6 million).

At December 31, 2000, Canadian Utilities notes payable includes outstanding commercial paper of $197.1 million (1999 - $80.7 million), at interest rates of 5.92% maturing January, 2001.

Canadian Utilities has credit lines totaling $908.9 million, of which $392.8 million are available on a long term committed basis by the lenders, $314.5 million on a short term committed basis and $201.6 million on an uncommitted basis. These credit lines enable Canadian Utilities to obtain financing for general business purposes. At December 31, 2000, $280.7 million of long term committed credit lines, $304.4 million of short term committed credit lines and $93.6 million of uncommitted credit lines were still available.

Authorized: An unlimited number of Series Second Preferred Shares, issuable in series.

Issued:

	Stated Value	Redemption Dates	2000 Shares	2000 Amount	1999 Shares	1999 Amount
	(dollars)					
Retractable Cumulative Redeemable Second Preferred Shares						
6.6% Series S	$ 25.00	-	-	$ -	2,000,000	$ 50.0
Non-retractable Cumulative Redeemable Second Preferred Shares						
5.9% Series Q	$ 25.00	open	2,277,675	$ 56.9	2,277,675	$ 56.9
5.3% Series R	$ 25.00	open	2,146,730	53.7	2,146,730	53.7
6.6% Series S	$ 25.00	open	635,700	15.9	-	-
Perpetual Cumulative Second Preferred Shares						
4.55% Series O	$ 25.00	December 2, 2001	1,600,000	40.0	1,600,000	40.0
4.63% Series T	$ 25.00	December 2, 2001	1,600,000	40.0	1,600,000	40.0
4.63% Series U	$ 25.00	November 26, 2001	800,000	20.0	800,000	20.0
4.66% Series V	$ 25.00	October 3, 2002	4,400,000	110.0	4,400,000	110.0
				$ 336.5		$ 320.6

On March 1, 2000, 1,364,300 of Cumulative Redeemable Second Preferred Shares Series S were retracted at a price of $25.00 per share plus accrued dividends.

The dividends payable on the Perpetual Cumulative Second Preferred Shares Series O, T, U and V are fixed until the redemption dates specified above, at which time a new dividend rate may be established by negotiation between Canadian Utilities Limited and the holders of the shares.

Fair values

Fair values for preferred shares determined using quoted market prices for the same or similar issues are:

	2000	1999
Retractable	$ -	$ 51.2
Non-retractable	$ 324.1	$ 303.4

Redemption privileges

The non-retractable preferred shares are redeemable on the dates specified above at the option of Canadian Utilities at the stated value plus accrued and unpaid dividends.

	Class A Non-Voting		Class B Common		Total	
	Shares	Consideration	Shares	Consideration	Shares	Consideration
Authorized:	Unlimited		Unlimited			
Issued and Outstanding:						
December 31, 1998	39,362,217	$ 354.5	24,000,068	$ 152.0	63,362,285	$ 506.5
Stock options exercised	7,000	0.2	-	-	7,000	0.2
Purchased	(20,400)	(0.2)	-	-	(20,400)	(0.2)
Converted: Class B to Class A	20,065	0.1	(20,065)	(0.1)	-	-
December 31, 1999	39,368,882	354.6	23,980,003	151.9	63,348,885	506.5
Stock options exercised	17,450	0.5	-	-	17,450	0.5
Purchased	(60,500)	(0.6)	-	-	(60,500)	(0.6)
Converted: Class B to Class A	301,781	1.9	(301,781)	(1.9)	-	-
December 31, 2000	**39,627,613**	**$ 356.4**	**23,678,222**	**$ 150.0**	**63,305,835**	**$ 506.4**

Shareholder rights

The holders of the Class A non-voting shares and the Class B common shares are entitled to share equally, on a share for share basis, in all dividends declared by Canadian Utilities Limited on either of such classes of shares as well as the remaining property of Canadian Utilities Limited upon dissolution. The holders of the Class B common shares are entitled to vote and to exchange at any time each share held for one Class A non-voting share.

If a take-over bid is made for the Class B common shares which would result in the offeror owning more than 50% of the outstanding Class B common shares and which would constitute a change in control of Canadian Utilities Limited, holders of Class A non-voting shares are entitled, for the duration of the bid, to exchange their Class A non-voting shares for Class B common shares and to tender such Class B common shares pursuant to the terms of the take-over bid. Such right of exchange is conditional upon the completion of the take-over bid giving rise to the right of exchange, and if the take-over bid is not completed, then the right of exchange shall be deemed never to have existed. In addition, holders of the Class A non-voting shares are entitled to exchange their shares for Class B common shares of Canadian Utilities Limited if ATCO Ltd., the present controlling shareholder of Canadian Utilities Limited, ceases to own or control, directly or indirectly, more than 10,000,000 of the issued and outstanding Class B common shares of Canadian Utilities Limited. In either case, each Class A non-voting share is exchangeable for one Class B common share, subject to changes in the exchange ratio for certain events such as a stock split or rights offering. The complete text of the rights of exchange attached to the Class A non-voting shares is set out in a Certificate of Amendment dated September 10, 1982 issued to Canadian Utilities Limited.

Normal course issuer bid

On May 19, 2000, Canadian Utilities Limited commenced a Normal Course Issuer Bid for the purchase of up to 5% of the outstanding Class A non-voting shares. The offer will expire on May 18, 2001.

Stock option plan

Canadian Utilities Limited has a stock option plan under which 3,200,000 Class A non-voting shares are reserved for issuance in respect of options. Options may be granted to directors, officers and key employees of Canadian Utilities Limited and its subsidiaries at an exercise price equal to the weighted average of the trading price of the shares on The Toronto Stock Exchange for the five trading days immediately preceding the date of grant. The vesting provisions and exercise period (which cannot exceed 10 years) are determined at the time of grant.

Changes in shares under option are summarized below:

	2000		1999	
	Class A Shares	**Weighted-Average Exercise Price**	Class A Shares	Weighted-Average Exercise Price
Options at beginning of year	**1,186,850**	**$ 32.09**	845,850	$ 29.80
Granted	**135,000**	**43.16**	361,000	37.13
Exercised	**(17,450)**	**28.48**	(7,000)	23.76
Settled	**(175,300)**	**25.18**	(13,000)	27.58
Options at end of year	**1,129,100**	**$ 34.54**	1,186,850	$ 32.09

Information about stock options outstanding at December 31, 2000 is summarized below:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Class A Shares	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Class A Shares	Weighted-Average Exercise Price
$ 23.76 to $35.64	805,600	6.6	$ 30.30	464,000	$ 28.16
$ 37.74 to $44.62	135,000	9.8	43.16	20,000	44.62
$ 46.21 to $47.91	188,500	7.8	46.49	66,200	46.37
$ 23.76 to $47.91	1,129,100	7.1	$ 34.54	550,200	$ 30.95

Share appreciation rights plan

Directors, officers and key employees of Canadian Utilities may be granted share appreciation rights under the share appreciation rights plans of Canadian Utilities Limited and its parent corporation, ATCO Ltd. The vesting provisions and exercise period (which cannot exceed 10 years) for each plan are determined at the time of grant. The base value of the share appreciation rights is equal to the weighted average of the trading price of the Class A non-voting shares and the Class I Non-Voting shares of ATCO Ltd., respectively, on The Toronto Stock Exchange for the five trading days immediately preceding the date of grant. The holder is entitled on exercise to receive a cash payment equal to any increase in the market price of the Class A non-voting shares and the Class I Non-Voting shares of ATCO Ltd., respectively, over the base value of the share appreciation rights exercised.

Share appreciation rights expense amounted to $5.5 million (1999 - $0.4 million).

	2000	1999
Operating activities		
Decrease (increase) in accounts receivable	$ (283.4)	$ 2.7
Increase in inventories	(16.6)	(16.2)
Increase in income taxes recoverable	(24.6)	-
Decrease (increase) in deferred natural gas costs	(129.4)	0.3
Increase in deferred electricity costs	(71.7)	(16.1)
Decrease (increase) in prepaid expenses	(3.0)	4.8
Increase (decrease) in accounts payable and accrued liabilities	349.5	(17.4)
Increase in accrued interest and dividends	0.4	7.1
Decrease in income taxes payable	(13.8)	(2.2)
Increase (decrease) in future income taxes	52.7	(1.4)
	$ (139.9)	$ (38.4)
Investing activities		
Decrease (increase) in inventories	$ 0.9	$ (2.9)
Increase (decrease) in accounts payable and accrued liabilities	67.6	(11.8)
	$ 68.5	$ (14.7)
Financing activities		
Decrease (increase) in accounts receivable	$ (6.2)	$ 5.7
Decrease in accounts payable and accrued liabilities	(12.6)	(2.7)
	$ (18.8)	$ 3.0

Canadian Utilities' interest in joint ventures is summarized below:

	2000	1999
Statement of earnings		
Revenues	$ 293.2	$ 248.8
Operating expenses	185.4	151.3
Depreciation	20.2	25.1
Financing charges and other	23.8	20.6
Earnings from joint ventures before income taxes	$ 63.8	$ 51.8
Balance sheet		
Current assets	$ 121.2	$ 90.6
Current liabilities	(94.0)	(70.2)
Property, plant and equipment	567.8	553.6
Deferred items - net	(77.1)	(69.3)
Long term debt	(14.0)	(14.4)
Non-recourse long term debt (secured only by joint venture assets)	(360.0)	(395.4)
Investment in joint ventures	$ 143.9	$ 94.9
Statement of cash flows		
Operating activities	$ 67.7	$ 70.2
Investing activities	(48.9)	(54.5)
Financing activities	(14.7)	(3.2)
Foreign currency translation	(2.1)	(3.5)
Increase in cash position	$ 2.0	$ 9.0

Current assets include cash of $50.7 million (1999 - $49.6 million) which is only available for use within the joint ventures.

In the normal course of business with its parent corporation, ATCO Ltd., and affiliated corporations, Canadian Utilities incurred administrative expenses and corporate signature rights totaling $5.1 million (1999 - $4.1 million). Canadian Utilities sold natural gas to an affiliated ATCO corporation in the amount of $3.8 million (1999 – $2.1 million) and recovered administrative expenses and business development costs totaling $4.5 million (1999 - $3.7 million).

Canadian Utilities maintains defined benefit and defined contribution pension plans for most of its employees and provides other post employment benefits, principally health, dental and life insurance, for retirees and their dependents. The defined benefit pension plans, which provide for pensions based on length of service and final average earnings, are for the most part contributory, with the balance of funding the responsibility of Canadian Utilities on the advice of an independent actuary. Plan assets are comprised of Canadian and foreign equities, fixed income and other marketable securities and real estate. As of 1997, new employees automatically participate in the defined contribution pension plans and employees participating in the defined benefit pension plans may transfer to the defined contribution pension plans at any time.

Information about Canadian Utilities' defined benefit plans, in aggregate, is as follows:

	Pension Benefit Plans	Other Post Employment Benefit Plans
Market value of plan assets		
Beginning of year	$ 1,271.9	$ -
Actual return on plan assets	138.3	-
Employee contributions	5.4	-
Benefit payments	(32.6)	-
Payments to defined contribution plans	(1.6)	-
End of year	$ 1,381.4	$ -
Accrued benefit obligations		
Beginning of year	$ 796.4	$ 36.8
Current service cost	17.0	1.2
Interest cost	56.2	2.7
Employee contributions	5.4	-
Benefit payments	(33.7)	(1.3)
Experience losses (gains)	(12.4)	1.4
End of year	$ 828.9	$ 40.8
Funded status		
Excess (deficiency) of assets over obligations	$ 552.5	$ (40.8)
Amounts not yet recognized in financial statements:		
Unrecognized net experience losses (gains)	(75.9)	1.4
Unrecognized net transitional liability (asset)	(419.0)	34.5
Unrecognized defined benefit plans income [1]	(33.2)	-
Deferred pension asset (deferred credit) recognized in the consolidated balance sheet	$ 24.4	$ (4.9)
Weighted average assumptions at December 31		
Expected rate of return on plan assets	7.0%	-
Liability discount rate	7.1%	7.1%
Average compensation increase	3.0%	-

The assumed annual health care cost rate increases used in measuring the accumulated post employment benefit obligation in 2000 and thereafter were 4.5% for drug costs and 4.0% for other medical and dental costs.

Included in the accrued benefit obligations are certain supplementary defined benefit pension plans which are paid by Canadian Utilities out of general revenues. These supplementary plans had accrued benefit obligations of $42.9 million at December 31, 2000.

Plan assets include long term debt and Class A non-voting and Class B common shares of Canadian Utilities Limited having a market value of $12.6 million at December 31, 2000 (1999 - $10.5 million) and Class I Non-Voting shares of ATCO Ltd., Canadian Utilities' parent corporation, having a market value of $8.5 million at December 31, 2000 (1999 - $7.2 million).

	Pension Benefit Plans	Other Post Employment Benefit Plans
Components of benefit plan expense (income)		
Current service cost	$ 17.0	$ 1.2
Interest cost	56.2	2.7
Expected return on plan assets	(74.8)	-
Amortization of net transitional liability (asset)	(32.6)	2.3
Defined benefit plans expense (income)	(34.2)	6.2
Defined contribution plans expense	3.0	-
Total expense (income)	(31.2)	6.2
Less: Unrecognized defined benefit plans income [1]	33.2	-
Less: Capitalized	(0.5)	(1.3)
Net expense	$ 1.5	$ 4.9

In 1999, net income of $4.1 million was recorded for pension benefit plans and net expense of $1.3 million was recorded for other post employment benefit plans.

(1) Unrecognized defined benefit plans income records the effect of the proposed accounting for employee future benefits to be used in the determination of revenue requirements as filed on November 15, 2000 with the AEUB. Canadian Utilities does not expect a decision from the AUEB until late 2001.

Minimum operating lease payments, which extend over periods not exceeding 13 years, are as follows:

2001	2002	2003	2004	2005	Total of All Subsequent Years
$ 12.5	$ 11.8	$ 10.4	$ 4.8	$ 4.4	$ 19.7

Canadian Utilities is party to a number of disputes and lawsuits in the normal course of business. Management is confident that the ultimate liability arising from these matters will have no material impact on the consolidated financial statements.

Canadian Utilities operates in the following business segments:

Utilities (ATCO Electric – transmission and distribution, Northland Utilities, Yukon Electrical, ATCO Gas) provides electricity transmission and distribution to industrial, commercial and residential customers in north central Alberta and parts of the Yukon and the Northwest Territories and natural gas distribution to industrial, residential and commercial customers in Alberta;

Power Generation (ATCO Power, ATCO Electric – Alberta power generation) develops, owns, manages and operates electric power projects in Canada, Great Britain and Australia;

Logistics and Energy Services (ATCO Pipelines, ATCO Midstream, ATCO Frontec) provides natural gas transmission to industrial and commercial customers in Alberta, natural gas gathering, processing, storage and hub services in Alberta and project management and technical services, operation and maintenance, technology transfer and training services to the defence, transportation and industrial sectors.

Other businesses: Industrials (ASHCOR Technologies, Genics) sells fly ash and produces and sells environmentally friendly wood treatment and maintenance products; Technologies (ATCO Singlepoint, ATCO I-Tek) provides billing and call centre services for utilities, municipalities and other organizations and builds, operates and supports the information systems and technologies used within the ATCO Group of companies.

2000 1999	Utilities	Power Generation	Logistics & Energy Services	Other Businesses	Corporate	Intersegment Eliminations	Consolidated
Revenues – external	**$ 1,988.5**	**$ 426.8**	**$ 498.4**	**$ 8.7**	**$ 0.7**	**$ -**	**$ 2,923.1**
	$ 1,527.1	$ 323.3	$ 351.1	$ 5.5	$ 0.7	$ -	$ 2,207.7
Revenues – intersegment [1]	**72.4**	**269.8**	**422.9**	**86.8**	**10.9**	**(862.8)**	**-**
	43.7	236.2	204.4	74.2	9.9	(568.4)	-
Revenues	**2,060.9**	**696.6**	**921.3**	**95.5**	**11.6**	**(862.8)**	**2,923.1**
	1,570.8	559.5	555.5	79.7	10.6	(568.4)	2,207.7
Operating expenses	**1,702.9**	**385.9**	**777.1**	**74.0**	**17.3**	**(867.0)**	**2,090.2**
	1,184.4	307.4	426.2	66.3	13.0	(569.1)	1,428.2
Depreciation and depletion	**128.4**	**66.0**	**35.6**	**8.5**	**0.5**	**(0.3)**	**238.7**
	121.6	68.8	32.1	6.9	0.4	(0.3)	229.5
Interest expense on debt	**103.0**	**70.9**	**27.7**	**1.0**	**156.1**	**(162.7)**	**196.0**
	90.1	72.0	23.1	0.1	143.6	(147.0)	181.9
Dividends on retractable	**0.4**	**0.1**	**0.1**	**-**	**-**	**-**	**0.6**
preferred shares	4.0	1.6	1.0	-	-	-	6.6
Interest and other income	**(11.0)**	**(8.0)**	**(5.2)**	**(0.3)**	**(164.2)**	**162.7**	**(26.0)**
	(6.6)	(15.7)	(3.5)	(0.1)	(146.7)	147.0	(25.6)
Earnings before income taxes	**137.2**	**181.7**	**86.0**	**12.3**	**1.9**	**4.5**	**423.6**
	177.3	125.4	76.6	6.5	0.3	1.0	387.1
Income taxes	**52.1**	**81.6**	**37.6**	**6.0**	**0.1**	**2.0**	**179.4**
	78.2	55.1	34.6	3.1	0.7	0.4	172.1
Net earnings	**85.1**	**100.1**	**48.4**	**6.3**	**1.8**	**2.5**	**244.2**
	99.1	70.3	42.0	3.4	(0.4)	0.6	215.0
Dividends on non-retractable	**7.9**	**3.6**	**1.6**	**-**	**3.7**	**-**	**16.8**
equity preferred shares	6.7	3.1	1.3	-	3.8	-	14.9
Earnings attributable to Class A	**$ 77.2**	**$ 96.5**	**$ 46.8**	**$ 6.3**	**$ (1.9)**	**$ 2.5**	**$ 227.4**
and Class B shares	$ 92.4	$ 67.2	$ 40.7	$ 3.4	$ (4.2)	$ 0.6	$ 200.1
Total assets	**$ 2,885.4**	**$ 1,773.3**	**$ 751.8**	**$ 28.9**	**$ 12.6**	**$ (61.9)**	**$ 5,390.1**
	$ 2,276.8	$ 1,597.8	$ 655.0	$ 27.6	$ 13.1	$ (41.7)	$ 4,528.6
Capital expenditures	**$ 202.1**	**$ 155.7**	**$ 84.2**	**$ 9.2**	**$ -**	**$ -**	**$ 451.2**
	$ 188.1	$ 119.2	$ 50.6	$ 21.0	$ -	$ (11.6)	$ 367.3

[1] Intersegment revenues are recognized on the basis of prevailing market or regulated prices.

GEOGRAPHIC SEGMENTS

	Domestic		Foreign		Consolidated	
	2000	1999	**2000**	1999	**2000**	1999
Revenues	**$ 2,691.8**	$ 1,993.7	**$ 231.3**	$ 214.0	**$ 2,923.1**	$ 2,207.7
Property, plant and equipment	**$ 3,623.3**	$ 3,447.6	**$ 383.7**	$ 400.1	**$ 4,007.0**	$ 3,847.7

On March 2, 2000 the AEUB issued a decision on the Canadian Utilities' application for the 1997 return on common equity and capital structure and the general rate application ("GRA") for 1998. As a result of the decision customer rate refunds of $22.2 million were paid in 2000. The impact of the decision was to reduce earnings attributable to Class A and Class B shares by $13 million, of which $9 million was provided for in 1999. As a result of this decision, customer rates were also reduced by approximately 8% on September 1, 2000.

On December 21, 2000 the AEUB approved the withdrawal of the Canadian Utilities' 1999 GRA and determined that a 2000 GRA is not required. In addition, the AEUB ordered the Canadian Utilities to refund $23.7 million to customers for the period of January 1, 1999 to August 31, 2000. The refund reflects reduced customer rates as a result of the March 2, 2000 AEUB order, and reduced earnings attributable to Class A and Class B shares by $13.4 million in 2000.

CONSOLIDATED FIVE-YEAR FINANCIAL SUMMARY

(Dollars in millions, except as indicated)

		2000	1999	1998	1997	1996
EARNINGS						
Revenues		**2,923.1**	2,207.7	1,951.8	1,927.6	1,813.1
Costs and expenses	Natural gas supply	**1,006.4**	552.8	376.3	400.8	311.1
	Fuel and purchased power	**349.5**	255.0	201.6	193.8	175.6
	Operation and maintenance	**634.2**	542.2	545.7	536.6	526.6
	Depreciation and depletion	**238.7**	229.5	207.9	196.2	188.2
	Franchise fees	**100.1**	78.2	71.2	74.3	70.6
		2,328.9	1,657.7	1,402.7	1,401.7	1,272.1
Financing charges and other	Interest expense	**168.7**	151.3	142.1	138.6	150.4
	Interest expense on non-recourse long term debt	**27.3**	30.6	30.9	28.7	30.8
	Dividends on retractable preferred shares	**0.6**	6.6	18.0	18.6	27.8
	Interest and other income	**(26.0)**	(25.6)	(23.0)	(22.0)	(21.2)
		170.6	162.9	168.0	163.9	187.8
Earnings before income taxes		**423.6**	387.1	381.1	362.0	353.2
Income taxes		**179.4**	172.1	180.5	168.1	172.8
Net earnings		**244.2**	215.0	200.6	193.9	180.4
Dividends on non-retractable equity preferred shares		**16.8**	14.9	10.4	12.4	9.1
Earnings attributable to Class A and Class B shares		**227.4**	200.1	190.2	181.5	171.3
SEGMENTED EARNINGS						
Utilities		**77.2**	92.4	N/A	N/A	N/A
Power generation		**96.5**	67.2	N/A	N/A	N/A
Logistics and energy services		**46.8**	40.7	N/A	N/A	N/A
Other businesses		**6.3**	3.4	N/A	N/A	N/A
Corporate/eliminations		**0.6**	(3.6)	N/A	N/A	N/A
		227.4	200.1	N/A	N/A	N/A
CASH FLOWS						
Operations		**490.0**	465.1	425.7	401.6	383.0
Class A and B dividends		**114.0**	109.0	103.9	99.5	94.5
Capital expenditures - net		**447.0**	354.2	410.4	353.8	257.6
Financing (excluding Class A and B dividends)		**189.5**	39.8	112.9	45.1	(202.2)

Differences between the actual and forecast costs of purchased electricity, aggregating $173.8 million at December 31, 2000, have been deferred for future recovery from customers, of which $87.8 million, subject to AEUB approval, will be collected in 2001. The Government of Alberta has issued regulations dealing with the timing of the recovery of the balance. Subject to AEUB approval, $86.0 million will be recovered over the period from January 1, 2002 to December 31, 2004.

On December 22, 2000, Canadian Utilities conditionally agreed to sell its Viking-Kinsella natural gas property for $490.0 million, before closing adjustments. On January 10, 2001 and February 1, 2001, Canadian Utilities reached conditional agreements to sell its interest in several non-operated natural gas properties for $52.4 million, before closing adjustments. Applications to the AEUB have been submitted requesting approval of these sales and the disposition of proceeds between customers and Canadian Utilities.

On February 28, 2001, the AEUB approved gas cost recovery rates which are expected to result in the full recovery, during 2001, of the deferred natural gas costs of $135.1 million at December 31, 2000.

		2000	1999	1998	1997	1996
CLASS A & B SHARES						
Shares outstanding* (thousands)	At end of year	**63,306**	63,349	63,362	63,340	63,971
	Average for year	**63,328**	63,367	63,359	63,714	63,940
Return on equity* (earnings attributable / weighted average equity)		**15.4%**	14.5%	14.8%	14.8%	14.8%
Earnings per share* ($) (earnings attributable / weighted average shares)		**3.59**	3.16	3.00	2.85	2.68
Dividends paid per share* ($)		**1.80**	1.72	1.64	1.56	1.48
Equity per share* ($) (shareholders' equity / end of year shares)		**24.11**	22.40	21.05	19.66	18.70
Stock market record - Class A non-voting shares ($)	High	**51.45**	49.35	48.85	41.25	34.50
	Low	**31.00**	32.35	38.00	30.40	25.13
	Close	**51.00**	39.00	48.00	40.65	30.55
	Daily trading volume	**39,573**	22,083	19,928	23,874	28,701
Stock market record - Class B common shares ($)	High	**51.15**	49.25	49.00	41.20	34.50
	Low	**31.10**	32.50	38.25	30.65	25.50
	Close	**50.55**	39.25	48.40	40.70	30.10
	Daily trading volume	**8,180**	2,594	3,262	6,967	1,441
OTHER FINANCIAL INDICATORS						
Payout ratio (dividends / earnings attributable)		**50%**	54%	55%	55%	55%
Interest coverage (pretax)		**3.16**	3.16	3.31	3.27	3.10
BALANCE SHEET						
Property, plant, and equipment - gross		**6,765.7**	6,403.1	6,172.1	5,783.4	5,460.8
- net of contributions		**4,007.0**	3,847.7	3,802.0	3,598.6	3,474.4
Total assets		**5,390.1**	4,528.6	4,437.2	4,090.7	3,936.6
Capitalization						
Notes payable and long term debt		**2,062.6**	1,796.9	1,662.7	1,424.6	1,410.9
Non-recourse long term debt		**360.0**	395.4	422.7	408.5	370.3
Retractable preferred shares		**-**	50.0	200.0	325.0	325.0
Non-retractable equity preferred shares		**336.5**	320.6	266.9	210.0	209.5
Shareholders' equity*		**1,526.5**	1,419.0	1,334.0	1,245.4	1,195.9
Total capitalization		**4,285.6**	3,981.9	3,886.3	3,613.5	3,511.6
Capitalization ratios - year-end						
Notes payable and long term debt		**48%**	45%	43%	39%	40%
Non-recourse long term debt		**8%**	10%	11%	11%	11%
Retractable preferred shares		**-**	1%	5%	9%	9%
Non-retractable equity preferred shares		**8%**	8%	7%	6%	6%
Shareholders' equity*		**36%**	36%	34%	35%	34%

* Includes Class A non-voting shares and Class B common shares.

Consolidated Five-Year Operating Summary

(Dollars in millions except as indicated)	2000	1999	1998	1997	1996
Utilities					
Natural gas operations					
Capital expenditures - net	**88.1**	83.3	N/A	N/A	N/A
Pipelines (thousands of kilometres)	**33.5**	33.0	N/A	N/A	N/A
Maximum daily demand (terajoules)	**2,760**	2,570	3,033	2,791	2,821
Sales (petajoules)	**209**	192	N/A	N/A	N/A
Transportation (petajoules)	**18**	13	N/A	N/A	N/A
Total system throughput (petajoules)	**227**	205	N/A	N/A	N/A
Average annual use per residential customer (gigajoules)	**148**	138	144	148	175
Average annual billing per residential customer ($)	**925**	679	607	677	648
Degree days - Edmonton *	**4,210**	3,774	3,898	3,964	5,018
- Calgary **	**4,441**	3,869	4,160	4,197	5,190
Customers at year-end (thousands)	**815.5**	798.4	779.9	756.6	738.1
Electric operations					
Capital expenditures - net	**110.7**	90.0	103.9	105.6	94.9
Power lines (thousands of kilometres)	**58.6**	57.9	55.3	54.9	53.9
Retail sales (millions of kilowatt hours)	**10,392**	10,068	10,188	10,089	9,760
Average annual use per residential customer (kWh)	**7,444**	7,367	7,274	7,381	7,743
Customers at year-end (thousands)	**191.0**	186.8	186.4	183.3	179.8
Power Generation					
Capital expenditures - net	**164.5**	113.3	144.3	87.7	48.5
Generating capacity (thousands of kilowatts)	**1,980**	1,826	1,794	1,697	1,697
Sales (millions of kilowatt hours)	**3,661**	3,697	2,470	2,348	2,322
Maximum hourly demand (thousands of kilowatts)	**1,277**	1,386	1,400	1,289	1,296
Logistics and Energy Services					
Capital expenditures - net	**83.8**	47.4	N/A	N/A	N/A
Pipelines (thousands of kilometres)	**7.9**	7.9	N/A	N/A	N/A
Natural gas processed (Mmcf/day)	**530**	491	490	418	404

* Degree days - Edmonton - are defined as the difference of the mean daily temperature from 14.5 degrees Celsius.

** Degree days - Calgary - are defined as the difference of the mean daily temperature from 15.5 degrees Celsius.

CORPORATE INFORMATION

CANADIAN UTILITIES LIMITED OPERATIONS

POWER GENERATION

- Alberta Power (2000) Ltd.
- ATCO Power Ltd.
  - ATCO Power Canada Ltd.
    - McMahon Cogeneration Plant
    - Poplar Hill Plant
    - Primrose Cogeneration Plant
    - Rainbow Lake Plant
    - Joffre Cogeneration Project
  - ATCO Power Australia PTY Ltd
    - Osborne Cogeneration Plant
    - Bulwer Island Cogeneration Project
  - ATCO Power Generation Ltd.
    - Thames Power Limited
      - Barking Power Limited
      - Thames Power Services Limited
    - Thames Valley Power Limited
      - Heathrow Project

UTILITIES

- ATCO Electric Ltd.
  - Norven Holdings Inc.
  - Northland Utilities Enterprises Ltd.
    - Northland Utilities (NWT) Limited
    - Northland Utilities (Yellowknife) Limited
  - The Yukon Electrical Company Limited
- ATCO Utility Services Ltd.
- ATCO Gas
- CU Water Limited

LOGISTICS & ENERGY SERVICES

- ATCO Frontec Corp.
  - North Warning System
  - Balkans Project
  - ATCO Frontec PTY Ltd
  - ATCO Frontec Services Ltd.
    - TLI CHO Logistics
    - Narwhal Arctic Services
    - UQSUQ Corporation
  - ATCO Frontec Services Inc. (U.S.)
    - Alaska Radar System
    - SSPARS
  - ATCO Frontec Logistics Corp.
  - ATCO Airports Ltd.
  - ATCO Travel Ltd.
  - Torngait Services Inc.
  - ATCO Frontec Security Services
  - ATCO Frontec Property Management
  - ATCO Frontec Offshore Inc.
- ATCO Midstream Ltd.
  - Edmonton Ethane Extraction Plant
- ATCO Pipelines

TECHNOLOGIES

- ATCO Singlepoint Ltd.
- ATCO I-Tek

CORPORATE HEAD OFFICE

1500, 909-11th Avenue S.W.
Calgary, Alberta T2R 1N6
Telephone: (403) 292-7500
Fax: (403) 292-7643

DIRECTORS AND OFFICERS

DIRECTORS

Robert T. Booth (2) (3)
Partner,
Bennett Jones LLP,
Calgary, Alberta

William L. Britton Q.C. (1)
Partner,
Bennett Jones LLP,
Calgary, Alberta

Brian P. Drummond (1) (4)
Corporate Director,
Montreal, Quebec

Basil K. French (2) (3)
President,
Karusel Management Ltd.,
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Linda A. Heathcott
Executive Vice President,
Spruce Meadows,
Calgary, Alberta

William R. Horton (2) (3)
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Winfield, British Columbia

Helmut M. Neldner (1) (2) (3) (4)
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Westerose, Alberta

Larry R. Shaben
Chairman,
Western New Ventures Capital Corporation,
Edmonton, Alberta

Nancy C. Southern
Co-Chairman and Chief Executive Officer
Canadian Utilities Limited

Ronald D. Southern, C.B.E.,C.M., LL.D
Co-Chairman and Chief Executive Officer
Canadian Utilities Limited

D. Logan Tait, F.R.I., F.C.A. (2) (3) (4)
President,
Tait Management Services Ltd.,
Lethbridge, Alberta

Craighton O. Twa
President and Chief Operating Officer
Canadian Utilities Limited

Charles W. Wilson (2) (3)
Corporate Director,
Evergreen, Colorado

(1) *Member of the Corporate Governance-Nomination, Succession and Compensation Committee*

(2) *Member of the Audit Committee*

(3) *Member of the Risk Review Committee*

(4) *Member of the Pension Fund Committee*

OFFICERS

Ronald D. Southern
Co-Chairman of the Board & Chief Executive Officer

Nancy C. Southern
Co-Chairman of the Board & Chief Executive Officer

Craighton O. Twa
President & Chief Operating Officer

James A. Campbell
Senior Vice President,
Finance & Chief Financial Officer

Susan R. Werth
Senior Vice President & Chief Administration Officer

Dale R. Cawsey
Vice President, Corporate Secretary

D. Terrence Davis
Vice President, Internal Audit

Patrick J. House
Vice President, Human Resources

Siegfried W. Kiefer
Vice President,
Information Technology & Chief Information Officer

Ladis J. Vegh
Vice President, Insurance

Karen M. Watson
Vice President, Controller

Denis M. Ellard
Vice President

Walter A. Kmet
Vice President

Charles S. McConnell
Treasurer

MANAGING DIRECTORS AND PRESIDENTS OF PRINCIPAL OPERATING SUBSIDIARIES

Gary K. Bauer
Managing Director, Power Generation
President, ATCO Power Ltd.

Rick J. Brouwer
President, ATCO Midstream Ltd.

J. R. (Dick) Frey
Managing Director, Utilities
President, ATCO Electric Ltd.

J. Doug Graham
President, ATCO Pipelines

Siegfried W. Kiefer
Managing Director, Technologies
President, ATCO I-Tek

Bobbi L. Lambright
President, ATCO Singlepoint Ltd.

Michael M. Shaw
Managing Director, Logistics & Energy Services
President, ATCO Frontec Corp.

SHAREHOLDERS' INFORMATION

INCORPORATION

Canadian Utilities Limited was incorporated under the laws of Canada on May 18, 1927 and was continued under the Canada Business Corporations Act by Articles of Continuance on August 15, 1979.

ANNUAL MEETING

The Annual Meeting of Shareholders will be held at 10:00 a.m., M.D.T. Wednesday, May 9, 2001 at The Fairmont Hotel Macdonald, 10065-100 Street, Edmonton, Alberta.

AUDITORS

PricewaterhouseCoopers LLP
Calgary, Alberta

COUNSEL

Bennett Jones LLP
Calgary, Alberta

TRANSFER AGENT AND REGISTRAR

Class A non-voting and
Class B common shares
and Second Preferred
(Series Q, R and S) Shares
CIBC Mellon Trust Company
Montreal/Toronto/Calgary/Vancouver

TRUSTEE AND REGISTRAR

Debentures
By its agent
CIBC Mellon Trust Company
Montreal/Toronto/Winnipeg/
Calgary/Vancouver

STOCK EXCHANGE LISTINGS

Class A non-voting Symbol CU
Class B common Symbol CU.X
Listing Toronto Stock Exchange

CUMULATIVE REDEEMABLE SECOND PREFERRED SHARES

5.90% Series Q CU.PR.T
5.30% Series R CU.PR.V
6.60% Series S CU.PR.D
Toronto Stock Exchange

ATCO GROUP ANNUAL REPORTS

Annual Reports to Shareholders and Management's Discussion and Analysis for Canadian Utilities Limited and its parent company, ATCO Ltd., are available upon request from:
ATCO Ltd. & Canadian Utilities Limited
1500, 909 – 11th Avenue S.W.
Calgary, Alberta T2R 1N6
Telephone: (403) 292-7500
Website: www.canadian-utilities.com

SHARE HOLDER INQUIRIES

Dividend information and other inquiries concerning shares should be directed to:
CIBC Mellon Trust Company
Stock Transfer Department
600 The Dome Tower
333 – 7th Avenue, S.W.
Calgary, Alberta T2P 2Z1
Telephone 1-800-387-0825
e-mail: inquiries@cibcmellon.ca

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